

JPRS-CAR-92-019  
1 APRIL 1992



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# ***JPRS Report***

# **China**

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## GENERAL

### Multipolarity, Not U.S. Dominance Foreseen

92CM0138A Shanghai GUOJI ZHANWANG (WORLD OUTLOOK) in Chinese No 23, 8 Dec 91 pp 12-13

[Article by Gu Ji (6253 4949): "The International Strategic Situation Following the Collapse of the Bipolar Pattern"]

[Excerpts] In the aftermath of the 19 August incident, dramatic changes took place in the USSR for a continuation of events in Eastern Europe. This was one of the most important international events since World War II, the widespread and profound effects of which far exceed that of the dramatic changes in Eastern Europe, German unification, and the Gulf War. [passage omitted]

Thus, the bipolar pattern that dominated international events for such a long period following World War II has finally disintegrated completely. While one might have said a year ago, when the major countries were conducting a complex political struggle and diplomatic wrangling over the unification of Germany, that the bipolar system still played a major role although it was beginning to come apart (had the USSR not given a green light at the time, German unification could never have been realized), today this system has truly become a part of history.

The dramatic changes in the USSR have also caused a major tilt in the international power balance in favor of the United States and the West. The United States showed its military, economic, and political strength, and its scientific and technical superiority in the Gulf War. Its international position was very greatly strengthened. With the dissolution of the USSR, and the complete disintegration of the bipolar system, America's position as the world's sole superpower is even more prominent. There can be no doubt whatsoever that the United States will seize this favorable opportunity to make a greater effort to establish an American-led new world order in accordance with its own ideas. Economically, the West currently holds overwhelming superiority. The population of the United States, Japan, and Western Europe is 16 percent of the world total, but it accounts for 65 percent of the world's gross national product. The Western countries employ this superiority to manipulate the world situation through various international organizations such as the United Nations, the International Monetary Fund, and the World Bank. Following the dramatic changes in the USSR, the ability of the tripolar United States-Japan-Europe system to influence world events will be further enhanced. The annual conference of the heads of state of seven countries, which has always been the organization through which the capitalist countries regulate the economy, is now becoming a political organization that the major Western nations use to control international affairs. Because of the dramatic changes in the USSR, in the eyes of some people capitalism has once again become a

panacea for the salvation of the world. Thus, it has temporarily gained new momentum for expansion. All this is bound to stimulate the reappearance of certain hegemonistic power political tendencies.

In the wake of the dramatic changes in the USSR, many Third World nations will face greater hardships and a more severe predicament. Under the bipolar pattern, the American and Soviet superpowers frequently competed for the support of Third World countries in order to strengthen themselves and weaken their opponent, giving them some economic and military assistance for this purpose. This provided Third World nations substantial room for maneuver diplomatically, and they could make use of the contradictions to win some benefits. Faced with a number of difficulties of its own today, the USSR is powerless to help Third World nations, and Western nations feel there is no further need to provide Third World nations assistance to gain their opposition to the USSR. The Western nations will be bound to rely on their economic and technological superiority to maintain the old economic order. They will continue to exploit developing countries through unequal trade. The United States and certain other Western nations will use the advantages gained following the dramatic changes in the USSR, or there may be an increased tendency to use economic and military assistance to advance their own value concepts, and to meddle in the internal political affairs of Third World countries. The Gulf War and the dramatic changes in the USSR and eastern Europe have given rise to a global shortage of capital, which has also increased Third World development difficulties. Under these circumstances, the bipolarization of world nations will continue economically. A minority will rise to enter the ranks of the newly industrializing countries. Some regional powers having a large population and abundant resources, such as India, Indonesia, and Iran, will develop further and grow strong. A majority of countries will continue to labor under a heavy debt burden, exchanges of unequal value, a capital shortage, and backward technology to face even greater difficulties. During the 1980s, the north-south gap widened. United Nations statistics showed 31 nations on the list of most undeveloped countries in 1981. By 1990, the number had increased to 41. In terms of per capita gross national product (GNP), the gap between southern countries and northern countries increased from 15.3 fold in 1980 to 23.3 fold in 1988. With the worsening of the international position of the Third World following the dramatic changes in the USSR, the north-south gap may widen even further. Faced with a grave international climate, the vast nations of the south are trying to form more alliances with each other, increase south-south cooperation, and coordinate their positions in the north-south relationship in a struggle to main their common interests. The intensification of competition and the development of contradictions among Western nations will provide southern nations some new leeway and favorable opportunities. However, for various reasons,



the unified struggle of the Third World will not reach the breadth and depth of the 1960s and 1970s.

On the other hand, we must also realize that although America's superpower position strengthened very greatly following the dramatic changes in the USSR, this strengthening is limited and temporary. It cannot change the trend from bipolarity to multipolarity in the international situation. A debate is going on in America today as to whether the United States is in decline. One point of view holds that because of excessive foreign expansion, and excessive burdens, the United States is gradually declining in the same way as other nations have declined historically. Another view holds that America's maintenance of its GNP at close to one-fourth world GNP for a long period of time following the war shows that the United States has not declined. Both sides hold to their separate views, refusing to give in. If people set aside their preconceived ideas on this issue to conduct a dispassionate and objective observation and analysis, it will not be difficult to come to the conclusion that the United States remains the most powerful nation in the world today. It holds first place in terms of overall power. At the same time, however, America's relative decline is also an undeniable fact. Neither the victory in the Gulf War nor the Soviet Union's dramatic decline can fundamentally reverse its trend toward relative decline. During the 1991 fiscal year, its fiscal deficit reached \$282.2 billion, and forecasts call for a continued increase in the fiscal deficit during the 1992 fiscal year. The American federal government's national debt now amounts to more than \$3 trillion. Expenditures for interest alone amount to more than \$200 billion annually. During the last half of 1990, the American economy declined, and so far it has not made a vigorous comeback; markets are in a slump, and the unemployment rate is rising steadily with no sign of falling. Because of its heavy debt burden and excessive deficit, the United States government finds it difficult to use traditional methods such as increased spending and tax reductions to stimulate the economy. This has become the biggest difficulty that President Bush faces in winning reelection. America's relative decline results from the uneven pattern of capitalist development. The root cause of the problem lies in the gradual loss of dominance in the economic and scientific and technical fields. In economic competition today, the balance of power is developing in favor of Western Europe and Japan rather than the United States. Ironically at a time when some American scholars and experts are talking endlessly about whether the United States is in decline, Japan is quietly striving to overtake the United States in industry, science and technology, finance, and trade, as well as in the absolute value of GNP. The EC is also stepping up its plans for the building of a large single market. It is preparing to expand further to become a European economic zone, strive to restore elan, and compete with the United States for dominance in overall national strength.

It is particularly noteworthy that since the USSR no longer poses a major military threat to the West following the dramatic changes, the basis for the existence of former security systems (NATO, the Japan-United States Security Treaty, the United States-Australia-New Zealand Treaty, etc.) is called into question. These treaties were originally founded under the banner of opposition to Soviet expansion and threat. For example, NATO was originally in opposition to the Warsaw Pact organization. It was to contain the Soviet military threat and an attack against the countries of Western Europe. Now that the Warsaw Pact has been disbanded and the USSR itself is disintegrating, a buffer zone coming into being in the form of eastern Europe between the USSR and Western Europe, whether NATO is necessary has become a question. As another example, both the United States and Japan presently stress the necessity for maintaining the Japanese-American security system, but if the dispute between Japan and the Soviet Union over the northern territories is resolved in another several years, a peace treaty signed between Japan and the USSR, and the situation on the Korean Peninsula largely eased, the necessity for this security system and the nuclear umbrella may be raised in Japan at that time. Certainly the United States is continuing to try to maintain its military presence in Europe and Asia today and, for various reasons, some countries in Europe and Asia also do not want a premature withdrawal of American forces. However, as time goes on, and as a further easing in the situation occurs, America's stationing of forces in Europe will gradually come to be seen as no longer necessary, and increasingly as a burden. America's position among its Western European allies will also become increasingly shaky. Simultaneous with America's complete victory in the cold war has been the gradual loss of the legality of its military presence in Asia and Europe. This is historical dialectics. Under these circumstances, the contradictions among Western countries will gradually escalate. Formerly when faced with a formidable foe, the Western countries had to unite to counter the threat from the USSR. Today when the USSR is gradually fading away, conflicts, frictions, and quarrels among the Western nations may begin to appear. In the struggle for preeminence in Europe and Asia, various political forces will break up and regroup. In the future, the United States will face even graver challenges including a continuing resurgent Japan, a united Europe, a unified Germany, and the appearance of new regional powers (such as Iran and India, etc.). Although the USSR is in dire straits and turmoil today, in the long run, even should the union completely disintegrate, the Russian Soviet Federated Soviet Republic is still a large country possessing huge numbers of nuclear weapons and abundant resources. China is politically stable and its economy is following a course of sustained, steady, and integrated development. China's overall national strength is steadily increasing. Therefore, the trend toward multipolarization in the wake of the dramatic changes in the USSR will continue to move ahead, a single superpower hegemony period or a so-called "monopolar world" is not likely to appear.

## Press Discusses Ba Jin's Works, Psychology

### Ba Jin Work Reflects His, Literati Psychology

92CM0201A Beijing XINHUA WENZHAI [XINHUA DIGEST] in Chinese No 11, 25 Nov 91 pp 210-211

[Article by Sun Yu [1327 6735], published originally in XIN WENHUA BAO on 6 September 91: "The Spirit of Chinese Scholars as Reflected in Ba Jin's *Suixiang Lu*"]

[Text] *Suixiang Lu* [Reflections] by Ba Jin, president of the Chinese Writers' Association, is clearly one of the most well received works among the prose that has been published in China in recent years. As soon as it came out, it was praised as a dynamic record of the confessions of a contemporary Chinese whose "force and passion transcends words." This critique was certainly not exaggerated. Except for Lu Xun, very few writers in China have examined the depths of reality and their own souls as authentically and in a detached way as Ba Jin has. It is indeed rare, especially for an elder who is more than 70 years old, to be able to write such a moving and resounding work straight from the heart. This is the first time in almost 40 years that Ba Jin has written so calmly about his innermost thoughts, sufferings, and aspirations. *Suixiang Lu* is a new turning point in Ba Jin's ideological history, which shows that humanitarian Ba Jin has rediscovered his intellectual roots.

While *Suixiang Lu* clearly draws a satisfactory close to Ba Jin's intellectual life, it has extraordinary literary value as an ideological and cultural phenomenon. It actually reflects certain psychological features of Chinese scholars. More precisely, we can faintly see a certain weakness of Chinese scholars behind their stirringly zealous ethical scenes. I certainly do not say this to play down its value, but rather to point out that the ideological pillar supporting the lofty sense of morality of such a self-fulfilling work is precisely an illusory kind of self-awareness. This is a good, honest, and lovable feature of Chinese scholars, as well as their tragedy. *Suixiang Lu* also helps us to see into other intellectual nooks and crannies of Chinese scholars, namely, their inability to face reality, their sentimentalism, and their self-deprecating psychology. This introspective and self-delivering mentality shows that Chinese writers have still not truly broken free from the weak psychology of the traditional Confucian scholar. A lack of awareness of this point would make it impossible to see the challenges that are facing contemporary scholars.

Ba Jin is one of a few writers in China with the best sense of humanity and self-sacrifice. Many of the works that he has produced in his life to this day still call to my mind a feeling of profound respect. While his courageous spirit in criticizing feudal society and his warm embrace of truth, good, and beauty have been rare in China, his success has been accompanied by personal tragedy. The utopian illusions that he has always been subject to have kept him from being ever able to break free from wrong value judgements. The ideological trends reflected in

*Suixiang Lu* similarly express this point. Ba Jin expresses in *Suixiang Lu* a rich array of thoughts, involving issues in all areas of political, artistic, and intellectual value. While these random thoughts were clearly influenced by Rousseau's *Confessions*, Hawthorne's *Recollections of Things Past*, and Lu Xun's literature recording random thoughts, *Suixiang Lu* describes more personal inner feelings, unearthing secrets from deep within the heart. Ba Jin relied on intuition and conscience and proceeded from a purely moralistic perspective in setting forth his views on the decade of the "cultural revolution," and called on people to free themselves from the shackles of feudalism. As he wrote these 150 articles of random thoughts as a last testament, giving the fullest expression in them to his brilliant personality, they have gained him universal respect throughout the world.

The crucial issue of *Suixiang Lu* is its appeal to human sincerity. Ba Jin's view is that respect, concern, and help for humanity is one of the social issues that should be paid attention to in Chinese society. As his discussion of this issue is very profound and moving, his extension of this discussion to issues, such as art and traditional culture, are the cream of this work, about which it is unnecessary to go into further detail about here. In my view, the relationship between the individual and social group consciousness in *Suixiang Lu*, particularly its approach to confessions from the heart, expresses an abnormal individual who is exhausted and lacking in self-confidence. This makes him lose his nerve in separating individual values from objective realities, leading to a gradual loss of subjective desire to create and belief in optimism. His belief in the logic of deductive reasoning gives him a lofty outlook on life on one hand, while limiting his field of vision on the other. He is aware only of reverting to the rules of deduction, while lacking the courage and insight to create a new outlook on life. These defects clearly make his work less dynamic. His sacred and solid regard for classical humanitarianism shows that he has never qualitatively changed his ideology since his youth, but has always had a psychologically dependent ideology. This psychological dependence sometimes leaves the feeling that he is essentially unrealistic. Whenever he runs into factual traps that are hard to get out of, he sets his sights more on himself, expressing his objective of intellectual self-fulfillment through introspection and confession. He even implores people to calmly criticize their own mistakes, in order to erase them through a joint confession by the whole nation. When Ba Jin reveals his heart sincerely and analyzes his own defects ruthlessly in *Suixiang Lu*, his idea is to tell his readers that all of their pasts, including their every blemish and fault, need to be examined and faced up to rigorously. A great many of Ba Jin's statements in *Suixiang Lu* state his own defects frankly, mercilessly laying bare to readers his own ideological weaknesses. These common matters to the ordinary person seem to disturb him like venom, keeping him in a permanent state of anxiety. In a certain sense, his suffering, despair, and struggle come from deep remorse over his inability to control his own feelings.

Kindhearted Ba Jin feels very definitely that the many faults in Chinese society are not only related to our cultural traditions, but are also tied closely to our social psychology and customs. He hopes that all who were caught up by the "cultural revolution," including all who were subject to its persecution, will conscientiously reflect on their own pasts.

Does not that 10-year nightmare still lie in the subconscious of us all? Did it not sow the seeds of tragedy for the masses? While Ba Jin has not yet been able to analyze the enigma of this phenomenon from a sociological, psychological, or philosophical perspective, he eventually did recognize his own limitations as an individual.

Thus, he realized that everyone must come to their own understanding of and make their own *Suixiang Lu* about Chinese society.

This is what *Suixiang Lu* is actually all about. Instead of being a philosophical treatise on cultural patterns and human individuality, it is a recognition of personal ideology and conduct, and an understanding of the self by the self, i.e., a raising of self-awareness. After undergoing a long period of ideological imprisonment, Ba Jin suddenly discovered his own distortions, which had deformed him like a crushed doll. Even though this was not enough to help him discover the secrets of human existence, as it was for Kafka, it did bring him to a vague understanding of the threat to his personal existence from "others." He saw in his past life a lost self that had missed out on independence and rationality. Such suffering is easily understandable. As Ba Jin was very annoyed by the question of why he had been so weak, as opposed to others who had been so clear-headed, he became aware of how small and weak he had been himself.

At one point in the "cultural revolution," Ba Jin sincerely believed that he deserved to be criticized. He felt that he had certainly made many unforgivable mistakes. When recounting this period of history, he wrote the following: "The big-character poster that said 'foster proletarian ideology and eliminate bourgeois ideology,' made everyone say that I was an 'intellectual aristocrat' and a 'reactionary authority.' I was criticized for 'demanding creative freedom,' when it was advocated that the 'proletariat exercise complete dictatorship over the bourgeoisie.' I gradually admitted my guilt.... I said that since I had conscientiously undergone 'remolding,' I was not afraid to bear hardships, and should submit myself to all rules stipulated by my supervision group. I have always been of the opinion that crimes should be atoned for through ascetic practices." Ba Jin conscientiously accepted all that fate threw his way, dispelling inner sufferings through absolute obedience. Through unceasing criticism and self-criticism, he truly changed his own former views. He sometimes even wrote very earnest self-criticisms, noting that he might truly be guilty of a crime for which even death could not atone, and that he should never have written such dozens of

thick books. His world was filled for a long time with self-reproof, loss of confidence, and remorse.

Ba Jin later realized that he had begun to have such an attitude long before. In many of the political movements of the 50s, he had at first certainly not been suspect, and at times had even sincerely participated in criticism sessions of the Chinese Writers' Association. He commented that self-sacrifice was unavoidable in the course of ideological remolding. At the beginning of the anti-Hu Feng movement in 1955, when he was being urged to write an article declaring where he stood, he was unable to evade the issue so he wrote the article declaring his stand as the occasion required, little did he realize how the stakes would be raised through editorial review of his article as the movement escalated. "In any case, I had only one path to take. I evaded whenever I could, and went through the motions when I could not. Anyhow, I had the one excuse that God would understand." At that time, I certainly was still weighed down by worship of the individual. Whatever I could not understand, I stopped thinking about, because I did not have time for hard thinking." All of these written recollections are very true. In the famous work called *Thinking of Hu Feng* in particular, his self-denouncing mentality is reproduced figuratively. *Thinking of Hu Feng* is the most confessional part of *Suixiang Lu*. Prior to its publication, few had been able to thrash their own souls as mercilessly as Ba Jin did. His many words there could be regarded as a classic of Chinese confession. What shone forth there was his attempt to attain spiritual nirvana through self-questioning.

While a merciless interrogation of his own soul and telling others about his innermost secrets is a key feature of Ba Jin's confessional intellect, he still inadvertently expresses his longstanding self-deprecating mentality. He is at times too self-denunciatory, taking a tone that is full of a sense of guilt. His nervous tone carries a sense of terror over his fate and lamentation about his natural instincts, like a pious religious believer begging God for mercy. In many of his articles, he undervalues himself, placing his hopes on abstract and deductive principles. While he realizes that people should become the masters of their own fate, by transcending the self through independent thinking and self-choice, his emotional style leaves him increasingly living in an inner world of floating to the other shore by drowning out the self. Along with denying his own depressive personality, Ba Jin also ruthlessly negates the soundness of free human beings, entrusting the self to an illusory mental concept. This means that except for carrying on a sincere inner monologue, he is unable to either make a penetrating examination of reality, or analyze real existence incisively from a historical and realistic perspective. I feel that Ba Jin manifests in this respect a common failing of many Chinese intellectuals, in that the self is afraid to affirm the self, so it remains in a stage of self-reproval, making it impossible to achieve Lu Xun's goal of "building up the human being." Does not Ba Jin's thinking suffer from such a defect?



But this certainly does not detract from the significance of *Suixiang Lu*. There is plenty of value in its confessional spirit and boldness in daring to speak the truth alone. While we cannot ask more from an elder who has tasted to the full the bitterness and viciousness of this world, the publication of *Suixiang Lu* also warns us about how difficult a thing it is to transcend the old self and free ourselves from the conflicts between thought habits and mental customs! The immediate challenge facing Chinese scholars is a grim one of how to break out of the circle of the theory of knowledge and take a new path, while avoiding a closed off intellectual movement. This is our new historical task.

#### Hardliners Attack Ba Jin Work

92CM0201B Hong Kong CHENG MING  
[CONTENDING] in Chinese No 172, 1 Feb 92 pp 71-73

[Article by Huai Ping [2037 0393]: "Ultra-Leftists' Attack Ba Jin; the Reason Why Ultra-Leftists' Hate Ba Jin is That After He was Rehabilitated in the 80s, Not Only Has He Not Thanked the Authorities, He Has Even Continued To Expose the CPC's Perverse Acts and Dark Social Aspects by Telling the Truth; Ba Jin's International Prestige Has Left the Leftist Tyrants With Nothing to Do but Surreptitiously and Deviously Play Small Tricks....."]

[Text] The Ultra-"Leftists" have begun to criticize Ba Jin. On 29 June 1991, WENYI BAO printed on its front page a speech entitled "Speaking the Truth, Venting True Feelings, and Seeking the Truth" by Zhu Ziqi [2612 1311 1142], an elderly writer who has always been a hardliner. The article was Zhu's heart-to-heart talk at a meeting of the official party committee of the Chinese Writers' Association on 24 June 1991 that was held to commemorate the 70th anniversary of the CPC. At the meeting he said that "what is spoken is not necessarily the truth," which was a challenge to Ba Jin's proposal in *Suixiang Lu* to "speak the truth." An article published in ZHONGGUO XIN WENHUA BAO on 6 September 91 by Sun Yu entitled "The Spirit of Chinese Scholars as Reflected in Ba Jin's " (abbreviated hereafter as "The Spirit of Scholars"), a reprint of which I have read in the November 1991 issue of XINHUA WENZHAI, went into detail about Zhu Ziqi's statement that "what is spoken is not necessarily the truth," by saying that what Ba Jin had spoken was certainly not the truth because it contained many mistakes.

#### Hemming and Hawing in the XINHUA WENZHAI Critique

While ultra-"Leftists" usually criticize and struggle against people "boldly and assuredly" when they hold power, going straight to the point and criticizing from the higher plane of principle and the two-line struggle, this criticism of Ba Jin was different. The writer was under a lot of strain, and the article was ambiguous and tortuous, with a lot of hemming and hawing, and a lack

of forthright expression. I will try to show several examples of this. "The Spirit of Scholars" begins by acknowledging that *Suixiang Lu* is one of the most well received works among the prose that has been published in China in recent years. Moreover, it agrees with the praise that it is "a dynamic record of the confessions of a contemporary Chinese whose force and passion transcends words," noting that "this critique was certainly not overdone." It goes on to say that "except for Lu Xun, very few writers in China have examined the depths of reality and their own souls as authentically and grimly as has Ba Jin. It is indeed rare, especially for an elder who is more than 70 years old, to be able to write such a moving and resounding work straight from the heart." While it says that "this shows that humanitarian Ba Jin has rediscovered his intellectual roots," it then goes on to criticize by saying that "*Suixiang Lu* presents an extraordinary literary value issue. It actually reflects certain psychological features of Chinese scholars. More precisely, we can faintly see a certain weakness of Chinese scholars behind its stirringly zealous ethical scenes." While Sun Yu declares that "I certainly do not say this to play down its value," he then criticizes it by saying that "the ideological pillar supporting the lofty sense of morality of such a self-fulfilling work is precisely an illusory kind of self-awareness." He comments that *Suixiang Lu* helps us to see the inability to face reality, the sentimentalism, and the self-deprecating psychology of Chinese scholars. He notes that this "shows that people (referring to intellectuals) have still not truly broken free from the weak psychology of the traditional Confucian scholar." In another place in the article, the writer again uses the method of first praising, then belittling. He first says that "the crucial issue of *Suixiang Lu* is its appeal to human sincerity," pointing out that as Ba Jin's discussion of the issue of respect, concern, and help for humanity is "very profound and moving," "his extension of this discussion to issues, such as art and traditional culture, are the cream of this work." But then he turns around and criticizes it by saying that "the relationship between the individual and social group consciousness in *Suixiang Lu*, particularly its approach to confessions from the heart, expresses an abnormal individual who is exhausted and lacking in self-confidence." He says that this makes him gradually lose his subjective will to create and sense of optimism, which makes his work "less dynamic." Sun Yu's belittling of Ba Jin can be seen even more clearly in his noting that Ba Jin has stuck to his early thinking with absolutely no progress. He says that Ba Jin's sacred and solid regard for classical humanitarianism shows that he has never qualitatively changed his ideology since his youth, but has always had a psychologically dependent ideology, which sometimes leaves one with the feeling that he is essentially unrealistic. Near the end of "The Spirit of Scholars," Sun Yu pulls out all the stops by remarking that the value of *Suixiang Lu* is limited to "its confessional spirit" and "boldness" in "daring to speak the truth," except that "it is unable to either make a penetrating examination of reality, or analyze real existence incisively from a historical and realistic perspective." He says that this naturally

leaves it unable to achieve the goal of "building up the human being." According to the CPC's literary and artistic standards, any work that can neither analyze reality correctly nor help readers form a communist world outlook is of very doubtful value. It is thus clear that a harsh criticism of *Suixiang Lu* and its author Ba Jin is what lurks behind the tortuous, ambiguous, and heming and hawing tone of "The Spirit of Scholars."

**The Cold Reception Given to *Suixiang Lu* in Mainland China** Ever since the first few articles of *Suixiang Lu* were first published, because they oppose the bad habit of lying that the CPC powerholders have become accustomed to over the last 30 years, "speaks the truth" to expose the CPC's crime of enjoying feudal special privileges, and vigorously advocates "creative freedom," it has been disliked by the powerholders. Since Ba Jin has later increasingly distanced himself from the authorities in this area, arousing even greater dissatisfaction among the powerholders, even though *Suixiang Lu* has been very well received abroad, it has been given the cold shoulder at home. WENYI BAO published on 11 February 1989 an article written by Chen Danchen [7115 0030 2525] entitled "A Critique of Zhang Fang's [1728 2397] Criticism of Ba Jin," which was published originally in WENXUE ZIYOUTAN [LITERARY FREEDOM] Issue 6, 1988. This article stated that during the 8 long years from the end of 1978 to August 1986, when Ba Jin was publishing the 150 articles in the 5 volumes of *Suixiang Lu* in Hong Kong's TA KUNG PAO, a total of less than 10 commentaries on it were published in China. Chen wrote in this article: Some of these commentaries were published only after passing through many hands and after repeated delays. Not only did key national publications not take a stand on *Suixiang Lu*, institutions did not come out to organized symposiums on it. This could be said to be far out of tune with the normal fiery bustle of literary circles in the past dozen years. In mainland China, an ordinary work can produce one commentary after another. A single publication might print three or four reviews of the work of a single author, while dozens of well-known writers have been known to get together to review a single work. While key publications often compete to review a single work, Ba Jin's *Suixiang Lu* certainly did not receive such special honors. When the first volume was published in mainland China, its shabby and crude binding and layout were remarkable among contemporary literary publications. The publication of the second volume was even more beset with difficulties, so it was delayed for a long time. At the time, certain authoritative people were not interested in *Suixiang Lu*, frequently passing on a number of criticisms and charges against it. Who was responsible for these conditions according to Mr. Chen? The powerholders were well aware of it.

The differing treatment given to the "International Forum on Ai Qing's Works," which was held in Beijing from 25-28 August 1991, and the "International Symposium on Ba Jin," which was held in Chengdu, Sichuan from 12-16 September 1991, also shows the neglect of Ba Jin by the authorities, particularly those in the world of literature and art.

While it can be explained that Ba Jin's symposium was held in Chengdu because that was his hometown, why could it not have been held in Shanghai so that he could be honored in person, as was Ai Qing, who appeared in a wheelchair surrounded by a crowd of his supporters? Such way of doing things makes us feel that Ai Qing was honored at the expense of Ba Jin. The situation can be seen even more clearly from the following facts: 1. The highest ranking government official who spoke at Ai Qing's forum was PRC Vice President Wang Zhen, while the highest ranking one who attended Ba Jin's symposium was only a deputy secretary of the Sichuan party committee, who spoke on behalf of the provincial party committee and government. While the eulogy for literary success at Ai Qing's opening ceremony was given by acting Minister of Culture He Jingzhi, who is a "Leftist" tyrant in literary circles, that at Ba Jin's was given only by Ge Luo [5514 3157], a member of the secretariat of the Chinese Writers' Association, while neither party secretary Ma Feng [7456 3536] or Deputy Secretary Malaqinhu [3854 2139 3084 1133] bothered to even attend; 2. The headlines of the WENYI BAO reports on these two forums show the different values given to these two writers by the ultra-"Leftists" who dominate literary circles. WENYI BAO's front page headline on 31 August 1991 was "The Minstrel of Our Times, The People's Poet—More Than 100 Famous Scholars from China and Abroad Discuss Ai Qing's Works in Beijing," while its headline on 21 September 1991 was "Study Ba Jin, Learn from Ba Jin—International Symposium on Ba Jin Held in Chengdu," which was clearly much lower key. It is necessary to understand that while these headlines were selected eulogies, they represented the stand of the editor-in-chief of this official Chinese Writers' Association newspaper; 3. He Jingzhi eulogized Ai Qing's works all the way from his resounding *Red Flute* of the 30s to his ringing *Song of Return* from the 80s after the fall of the Gang of Four, and also sang his praises for opposing Meng Long's [2603 2604] poetry and supporting the 1983 campaign to "eliminate spiritual pollution." The following sentences in He's eulogy are well worth pondering: "From the mid-50s to the end of the 'Cultural Revolution,' Ai Qing was treated very unfairly, with 'left' deviations making his life very rough for 20 years. What we admire him for is that since he has reappeared and gone back to work, he has not been sad or demoralized, or mulled over his past pain in creativity, but rather has looked positively toward the future, remained full of confidence in historical progress and maintained an exuberant creative vitality. On one hand, he has joined with the party and the people to reflect on and sum up profound historical lessons, while continuing to produce lyrics for the new age on the other. When speaking these words, as He Jingzhi naturally knew that the "International Symposium on Ba Jin" was going to be held in Chengdu 2 weeks later, they had the effect of belittling Ba Jin while eulogizing Ai Qing. This is because Ba Jin's *Suixiang Lu* written in the 80s and his advocacy of creative freedom were, sure enough, not mentioned at his symposium, at which only his works written before the founding of the PRC were eulogized. The fact is that

while few will remember anything about Ai Qing's later works after he reappeared in the 80s. Ba Jin's *Suixiang Lu*, on the other hand, will remain deeply etched in people's minds. The lasting value of a literary work is certainly not subject to the will of the authorities, for time will be its harshest judge. Just like Rousseau's *Confessions*, Ba Jin's *Suixiang Lu* will become immortal among later generations, while its belittling by ultra-"Leftists" will be simply "ridiculously insignificant," resulting as it inevitably does in "the names of mediocre writers being forgotten, while those of great masters live on."

#### How Ba Jin Offended the Authorities

The ultra-"Leftists" hate Ba Jin because after he was rehabilitated in the 80s, he not only did not thank the authorities, but even continued to expose the CPC's past perverse acts by telling the truth in his works, as well as exposing the seamy side of the current society. The CPC took this as disunity and treason. The CPC needs lackeys who, after being beaten by their masters, will be deeply grateful for the slightest bit of appeasement, and continue to be servile lackeys and oppose their counterparts, such as the likes of Zang Kejia [5258 0344 1367], Ouyang Shan [2962 7122 1472], and Yao Xueyin [1202 7185 0995] (similar to the role played by Ai Qing in the 1983 campaign against "spiritual pollution"). But when criticizing Ba Jin, the CPC's unwillingness to express its disgust with him openly, in addition to Ba Jin's international prestige, left the leaders with a willingness to save him a certain amount of face. On 25 November 1989, Ba Jin's 85th birthday, and coincidentally the 60th anniversary of his literary career, Zhu Rongji, who was still the Shanghai party committee secretary and mayor, as well as all of the deputy party committee secretaries, went to congratulate him, putting him on par with Lu Xun by saying "we respect Lu Xun and you too Ba Jin." Under such conditions, any criticism of Ba Jin had to be very discreet, which led to all of the ambiguity, tortuousness, and hemming and hawing.

The author of "The Spirit of Scholars" did not dare criticize Ba Jin for touching the CPC's sore spots, but rather stated sanctimoniously that since *Suixiang Lu* shows that Ba Jin "has still not truly broken free from the weak psychology of the traditional Confucian scholar," and "expresses an abnormal individual who is exhausted and lacking in self-confidence," "it is impossible for *Suixiang Lu* to achieve Lu Xun's goal of building up the human being." Little did he know how wrong this was.

What were actually the greatest weaknesses of China's Confucian scholars? One of them should be called the "Qu Yuan style." Qu Yuan was loyal to the king of Chu regardless of how he was abandoned by him. And he remained loyal to him to his last breath without regrets, saying that "as I stand here about to die, I remain without regrets." Since the CPC began to open up to the outside world, the characters in some of the most sensational literary works, such as Luo Qun in *The Legend of Tianyun Mountain*, Xu Lingjun in *Spirit and Flesh*, and

Zhang Yonglin in *Tree Planting*, have all been contemporary Qu Yuans. These intellectual heroes, despite all of the pushing aside, attacks, torment, and abandonment that they were subjected to, remained loyal and devoted to the CPC and socialism, vowing to adhere to their chosen course to the end. Once their injustices had been redressed and they no longer felt its pain or sorrow, the clouds that had hung over their lives disappeared immediately and the sun shone through as before. Neither did their faith in communism ever waver, nor did they have any regrets about anything that they had done. While they had suffered pain, it had not come because of understanding and trust or dissatisfaction with their own weaknesses, but rather because they were Qu Yuans who felt that "when a mother spans her child for something that it did not do, what right does the child have to complain?" These were their unspoken but understood words. This was an unprecedentedly severe tragedy in Chinese history that affected the fate of tens of millions of people quietly written off in a single stroke. He Jingzhi and the CPC authorities naturally welcome such people, because they turn intellectual weaknesses into strengths to be eulogized, thus blunting the will to fight against irrational CPC actions.

Ba Jin is not like this. He has broken free from the "Qu Yuan style," seen through all of the authorities' tricks, just as Lu Xun had, and regained his independence of character and ideology, no longer believing in any "liberators." He has pointed his pen at himself, learning from Lu Xun's "being strict in constantly appraising others, but being even stricter in ruthlessly appraising oneself." In fact, only one who can appraise oneself ruthlessly can be a truly fearless power who can then then strictly appraise others and the times. Ba Jin has set a good example for contemporary intellectuals in this regard.

#### Ba Jin's Solemn and Just Response

Ba Jin has certainly not cowered under criticism. In a letter that was read at the opening ceremony of the "International Symposium on Ba Jin" on 12 September 1991, he spoke as follows: "My advocacy for speaking the truth is certainly not out of self-praise for my own spreading of the truth. On the contrary, it is to explain that I lied and deceived readers in the past, incurring an unpayable debt. I will say only what I believe myself, and can correct any mistakes that I discover. I refuse to persist in errors, deceiving others and myself. That is why I have opened up my heart to my readers' (from article 62 of *Suixiang Lu* entitled *Me and My Readers*). My readers are my best judges, without whom I could not exist." This was actually Ba Jin's solemn and just response to the criticism by Zhu Ziqi and Sun Yu, with the following very clear message: Unlike you who clearly lie, I am the embodiment of truth! I will believe not your lies, but rather my discerning readers!



**Ba Jin Interviewed; Wants Less Media Attention**92CM0201C Shanghai JIEFANG RIBAO in Chinese  
25 Jan 92 p 7

[Report on an interview with Ba Jin, president of the Chinese Writers' Association, at his home on 20 January 1992, by correspondent Cha Zhihua [2646 1807 5478]: "A Short Visit to the Home of Mr. Ba Jin"]

[Text] I had not seen Mr. Ba Jin for over a year. While Mr. Ba Jin had been ageing, having long since become reclusive and has declined interviews, with the news media taking the initiative to interview him less frequently, as everyone was actually still hoping to see him more often, I thought that there would be no harm in sitting with him quietly for a bit. Having received Mr. Ba Jin's permission for an interview, I knocked on the door of his home on the afternoon of 20 January 1992. He was sitting in his living room in a chair at a simply-built makeshift writing desk across from the door. His study was upstairs. When I arrived, he was reading a final proof of the manuscript of a book. Through two windows on his left, he could see the winter scenery in his courtyard. Turning his head to the right, he could see people walking by outside. He was similarly situated in the most convenient line of sight of his family. When I asked Mr. Ba Jin about the publication of *The Complete Works of Ba Jin*, he replied that "17 volumes of my complete works have already been published, and I am now reading the final proof of Volume 20. The whole 25 volumes of my complete works are likely to be published in 1993 by the People's Literature Publishing House." After a short pause, he added, "I just hope that they will be published completely in 1993." *The Complete Correspondence of Ba Jin* was also published recently by the People's Literature Publishing House. Mr. Ba Jin told me that "this was published independently, and was not included in the 25 volumes of my complete works." As to the *Selected Prose of Ba Jin* that was published recently by the Zhejiang Literature and Art Publishing House, Mr. Ba Jin told me that "this is a reprint of *Selected Ba Jin Prose* that was published some years ago." Mr. Ba Jin said to me: "My current greatest wish is that there will be less reporting about me. It would be best for everyone to forget about me, so that I can have more time to rest. In an article that is about to be published about me in the current issue of SHOUHUO [HARVEST] magazine entitled 'A Scene of Clouds and Fire', Li Hui [2621 6540] says that I am too tired out and exhausted. As my health is now poor, and I must take medication to keep things under control (Note: Ba Jin suffers from Parkinson's disease), I always feel very exhausted. While it used to be very easy for me to keep my desk straightened out, it now makes me very tired. Even replying to letters from friends is now very difficult, sometimes taking me days to write a single letter. Even newspapers and books feel very heavy in my hands. While there are some things that I am very interested in and would like to read more about, such as the problems in the Soviet Union, I generally do not feel up to it. However, I recently did take out and read a bit of Leo Tolstoy's *Course of*

*Suffering*." In response to my question about what, in addition to routine matters, he would most like in his innermost being to accomplish under such circumstances, Mr. Ba Jin replied that "I would like to write another volume of *Reflections*. While I originally wanted to write a sixth volume of *Reflections*, I am no longer up to it. Wanting to write but not being able to is very painful." When I asked Mr. Ba Jin to recommend some books to be read by our readers, he replied that "your readers can find good books to read on their own, just as we did when we were young." I asked Mr. Ba Jin to autograph a copy of *Selected Prose of Ba Jin* that I had bought. I admitted that while I was still far from joining the ranks of respected celebrities, I still kept a sacred place deep in my heart for portraits of the few celebrities who I respect, for giving me faith in and wonder at humanity! They are great gauges of human morality and intelligence. And Mr. Ba Jin is one of them. Mr. Ba Jin said "Thank you for buying my book. I also have a book that I would like to give to you." The book that he gave me was *Writings That Tell the Truth*, which was published by the Sichuan Literature and Art Publishing House, and is a collection of all of Mr. Ba Jin's works from 1977 to the beginning of 1991, including the five volumes of *Reflections*. The only one that it does not include is the article of regret about the *Establishment of a Cultural Revolution Museum*. When I said goodbye to Mr. Ba Jin, he responded simply by nodding his head. While he had always used to get up and see to the door every guest, no matter how unknown, with which courtesy I too had often been honored, he did not get up this time, so I saw myself out, hugging the copy of *Writings That Tell the Truth* that he had presented to me.

**Article Views Building Socialism in 1990s**HK0503002392 Beijing QILSHI in Chinese No. 2  
16 Jan 92 pp 19-26

[Article by Zhang Decheng (1728 1793 2052) of the Central Policy Research Center: "The 1990s and China's Socialism"]

[Text]

I.

We live in an age of transition from capitalism to socialism. This transitional age began with Russia's October Revolution. At that time, Lenin pointed out: "No matter how great the difficulties that the revolution may encounter, and whether or not it suffers some kinds of temporary setbacks, and no matter how turbulent the waves of counterrevolution are, the ultimate victory of the proletariat is unavoidable." (*Complete Works of Lenin*, Second Chinese Edition, Vol. 29, p. 475) We are still in the initial stage of this new age and it is also the most difficult stage.

One basic conflict that has existed from the October Revolution to the present time is the conflict between socialism and capitalism. Even when the conflicts with



the imperialist countries emerged as the major conflict, this basic conflict still stayed around. The conflict and struggle between socialism and imperialism is the class struggle between the proletariat and the monopoly capitalist class in the international arena. For more than 70 years, this win-or-lose international class struggle has continued intensely and both sides have implemented different strategies during the different stages of struggle.

1. From the victory of the October Socialist Revolution to the end of the Second World War. During that time, Russia's socialism went through the most serious trials. There was military interference from 14 nations, led by England, France, and the United States, and then there was the Second World War. Imperialism tried hopelessly to eliminate socialist Russia during the two wars, yet, not only was Russia not eliminated, it managed to establish and strengthen the socialist system and accomplished great success in socialist construction. From being a backward agricultural country, it rapidly evolved into a socialist industrial nation, acquiring economic power and military defensive power which would enable it to resist aggressive war by imperialists. This is a remarkable victory in history.

2. From the end of the Second World War to the 20th Soviet National Party Congress in 1956. This decade marked the new stage when socialism extended from just one nation to many nations. This was the first climax of socialism since the October Revolution, particularly when China's revolution succeeded and greatly changed the balance of world political power. Meanwhile, national liberation movements in Asia, Africa, and Latin America flourished and developed. Again, imperialist nations attempted to use war to stop the growth of socialism. They invaded Korea and later initiated the war against Vietnam. However, both attempts ended in failure. In comparison, the international class struggle continued to expand on the side of the socialist cause, forcing imperialism to go on the defensive. A different approach emerged: the imperialists tackled socialist countries using the strategy of peaceful evolution.

3. The 20th Soviet National Party Congress in 1956 and the following worldwide anticommunist and antisocialism tide instigated by imperialism, signaled that the world's socialist movement had run into new obstacles. From then on, the socialist movements gradually declined, their strength slipping in a direction unfavorable to socialist development. The ideology of right-leaning opportunism, whose main characteristic was its betrayal of the Marxist class struggle theory, especially the theory of the proletarian dictatorship, gradually rampaged through the entire international communism movement. In some socialist countries, there were incidents aimed at toppling the communist party leadership and the socialist system. Some socialist countries continued to make mistakes in their internal and external policies. As for the communist parties in capitalist countries, some broke up and disintegrated while others were weakened tremendously. Although China's socialism accomplished outstanding achievements in the

1980s, the power of the world's socialist movement continued to weaken. On the other hand, major capitalist nations had long-lasting peaceful development during the several decades after the world war. There were no worldwide economic crises or large-scale war such as at the end of 1920s and during the 1940s. In addition, there was the new technology revolution. While robbing the undeveloped countries on an increased scale and leaving the basic system of capitalism alone, the capitalist nations made some specific adjustments in the production relations and the superstructure. This served to soften class conflicts within their countries. The economic power and military strength of the imperialist nations, although having been seriously damaged before, were strengthened again. The two abovementioned factors helped create the momentum for the capitalist states to attack socialist countries by infiltration, subversion, and peaceful evolution. This is the historical background to the political incident in China during the late spring and early summer of 1989 and the drastic changes that happened in some countries following that incident.

Has world socialism come to the bottom of the valley? This is the major question that most concerns the proletariat in all nations and the broad masses; it is the question for which they urgently require an answer. The key is to look at the results of the struggle in the last 10 years of the 20th century—the 1990s. Western politicians declare: "In 1999—victory without a war." However, judged from the current basic conflict between socialism and capitalism and the basic conditions on both sides, we can say that the low tide of world socialism has reached the bottom of the valley. Socialist states will survive the 1990s but they will face severe trials and difficult struggles because of encirclement by international monopoly capitalism. Socialism will be reinforced and strengthened by the trials and struggles and will prepare itself for the next climax.

How do we get out of the valley and prepare ourselves for the arrival of the new climax of world socialism and the international communism movement? We believe that there are two basic elements:

First, we must build up these socialist states now. To China, it means that China must be built up as a powerful socialist country. Hundreds of millions of people in the world still uphold the socialist path today. All the communist parties governing these socialist countries have gone through the long and severe trials of blood and fire. They are now summarizing the important lessons learned from the great complications in their countries so that they can become more mature. As long as socialist states can avoid making major errors and continue with the path of scientific socialism, the countries will remain stable. Economies, cultures, and science will continue to develop. On the avenue of common prosperity every year, people's living standards are improved. In international struggles, we support oppressed people and the righteous struggles of the oppressed nations. We oppose imperialist invasion and

all unjust wars. We uphold the Five Principles of Peaceful Coexistence based on noninterference in domestic politics. We advocate equality for all nations in the world, regardless of their size or strength. This way, the image and reputation of socialism, which has been somewhat tarnished in the past, will be rebuilt in front of all the people in the world. As the capitalist world becomes more unstable, socialism will again be the hope of the people in the world. In the struggle preparing conditions for world socialism and the arrival of the new climax in the international communist movement, socialist states can play invaluable roles.

Second, the socialist states must take advantage of the situation and be good at taking the initiative in complicated world conflicts. This is because the capitalist nations, after several decades of peaceful development, have accumulated many problems and greater crises and instabilities are to come. Imperialist states have overthrown some socialist nations. From the viewpoint of their strategic goal, they have scored victories but these are only temporary victories. They will also become their burdens. Some people in these socialist nations have hoped that, after the drastic changes, lots of Western aid would come forward continuously but the reality has disappointed them. It is possible that when the economic and political situation and the people's living conditions in these countries worsen, regional clashes and national conflicts become more frequent, and when the situation becomes increasingly unstable, the difficulties and struggles within the capitalist societies will intensify. Today, the capitalist societies are often short of funds and the U.S. financial deficit remains huge. The financial crisis which will wipe out the capitalist societies is brewing and, when it happens, it will be more than a financial crisis. This will be unavoidable in the 1990s. The United States greatly advocates the selective destruction of nuclear weapons, reduction of troops, and disarmament. This will alleviate some of the financial deficit but, on the other hand, this move contradicts the trend of economic militarization dictated by the essence of imperialism. Without economic militarization, there will be no imperialism. Yet economic militarization can only corrupt imperialism more, intensify the class struggle within each country, and intensify the conflicts among the imperialist states. As long as imperialism exists, this knot can never be untied. There are over 100 capitalist nations in the world, the majority of whom belong to the Third World. This large number of Third World nations have acquired huge debts and their economies continue to go downhill. It is unlikely that they can turn the declining trend around and, thus, many of these countries become poorer and poorer. Political coups and fighting will not stop. How can the capitalist world acquire peace? In short, the accumulative historical trend of capitalism (see Marx's *Das Kapital*, Vol. 1, Chapter 24, Section 7) and the "imbalance of economic and political development being the absolute rule of capitalism" (*Collected Works of Lenin*, vol. 2, p. 709) will definitely make the basic conflicts existing in the imperialist nations and in the entire capitalist world more

acute. Socialist nations need only make the best of the circumstances, be skilful in using conflicts, and devise strategies for their struggles. They will then be able to take the initiative and control and handle the world's conflicts. Contrary to the new world order, which a certain large Western nation has vainly attempted to build with its hegemony self as the center, China suggests building the international new order based on the Five Principles of Peaceful Coexistence. This suggestion is generally welcomed by many Third World nations. This is also a way to prepare for the arrival of the new climax of world socialism and the international communist movement. Here, we can borrow the phrase Marx used in his book *The 18th Brumaire of Louis Bonaparte*, quoting Shakespeare's *Hamlet*: "Well slup, old field mouse!"

Today, the problem which concerns people is whether or not the socialist countries, encircled by international monopoly capitalism and fighting against more powerful enemies, can continue to uphold socialism. Historical experiences tell us that the answer is positive. In the international arena, during the 20-some years between the 1920s and the 1940s, did not the Soviet Union, led first by Lenin and later by Stalin, uphold and reinforce socialism and become more powerful while the nation was surrounded by international monopoly capitalism and was up against more powerful enemies? During that time, all the capitalist states operated blockades against the Soviet Union. Special agents from everywhere were continuously sent to engage in sabotage activities against the country. Furthermore, the capitalist states used every means to find people in the Soviet Communist Party to act on their behalf, hopelessly attempting to split and topple the party leadership. On top of this, the Soviet Union was threatened by the imperialist war. The experiences of the Soviet Union prove that even though it was encircled by international monopoly capitalism, it could build up socialism and achieve success. There has been a theoretical explanation for this for a long time. Before the October Revolution, Lenin, based on the rule of unbalanced political and economic development in capitalism, said that "socialism might first appear, not in several or just one single capitalist country, but in a few backward countries" (*Collected Works of Lenin*, Vol. 2, p. 709). After the victory of the October Revolution, in his report to the 2d Party Congress of the Communist International, and in articles such as "On Cooperative System" and "Our National Revolution," Lenin gave further demonstrations of how backward Russia, surrounded by capitalism, established the political power with the proletarian dictatorship and how the political power controlled the basic means of production. By adding the cooperative system, the country had "everything it needed and enough for the construction of socialist society" (*Collected Works of Lenin*, Vol. 4, p. 682).

The 1990s international and domestic conditions for building socialism are much better than during the early days of the Soviet Union.

First, the socialist state upholding the socialist path today is a country with more than 1 billion people. No large or strong nation in the world dare ignore this objective fact. The early Soviet Union was the only state upholding socialism and it had only just over 100 million people. Even then, the combined imperialist forces could not harm it in any way. Today, there is not just one socialist country, but it is over one-fifth of the world population, over 1 billion people. When more than 1 billion people uphold the socialist path and become more and more closely united with all the oppressed nations and people in the world, socialism will be invincible.

Second, at that time, the Soviet Union had a backward economy and culture. Besides, it had to develop from scratch after the First World War and the civil war. Today, China, with its 1.1 billion people, has already established an independent and complete national economic system, and has a good head start in the development of high technology. The 1.1 billion people are now trying to realize the goal of leading a relatively comfortable life. From the viewpoint of combined national power and capacity for national defense, this socialist state is not a weak country. On the basis of the four cardinal principles, we insist on opening to the outside. In developing Marxism and scientific socialism, the CPC members, represented by Comrade Deng Xiaoping, have manifested great vitality through practice. Any nation thinking it can use blockades, embargoes, or sanctions to isolate and strangle socialist China will never succeed. Besides, the capitalist world is not a piece of iron plate and neither is international monopoly capitalism encirclement an iron bucket. As long as the socialist state can implement the correct foreign policy, it will not be defeated.

Because of the encirclement of international monopoly capitalism, is it still dangerous to build socialism? The answer is also yes. Not only does danger exist, it is also quite severe. The danger comes mainly from two areas. The first is the peaceful evolution offensive from Western imperialism. Strategically, we look at imperialism as a paper tiger but, tactically, we treat it as a real tiger. We must take every stage of the struggle seriously and must never lower our guard. Second, the governing party of the socialist state must avoid committing serious errors when making decisions on internal and external affairs. In particular, it must prevent rightist opportunism from occurring within the leading circle. If a great problem emerges, whether it relates to one or the other area, it will mean the life and death of the governing party and socialist state. This is the most important issue of the 1990s and we must treat it seriously and find a solution. For socialist nations, the 10 years of the 1990s will not pass by smoothly and easily. The decade will be hard and full of danger. Looking at the issue from a broader viewpoint, we must admit that inside the world arena, before socialism and capitalism can settle the final score in the international class struggle, we do not think that socialism has achieved the ultimate success just because one nation has established a socialist

society. This was Lenin's viewpoint. On 11 January 1918, he pointed out in his report, "Of course, final victory cannot be accomplished by only one country" (Complete Works of Lenin, Second Chinese Edition, Vol. 33, p. 277). In August of the same year, he pointed out in another speech, "Capitalism is an international power. Therefore, only when all these nations, not just one country, are defeated, can it be absolutely eliminated" (Complete Works of Lenin, Second Edition, Vol. 33, p. 74). There will be capitalist restoration and struggle against capitalist restoration throughout the historical age of the transition from capitalism to socialism.

## II.

Within the nation, whether we can continue to hoist the socialist red flag depends on how well we take care of domestic affairs. "External factors provide the conditions for change. Internal factors are the basis for change. External factors work by way of internal factors." (Collected Works of Mao Zedong, Second Edition, Vol. 1, p. 302) Once we take care of our internal affairs, we can sit tight and "let the wind blow and waves rise because we are secure inside the fishing boat."

After the turmoil and the counterrevolutionary riot during the late spring and early summer of 1989, the entire party and the broad masses in the nation felt that they had experienced a trial and education of the most serious class struggle since the founding of the nation. They have become more aware, especially of the imperialist peaceful evolution strategy which has created a profound and valuable impact. Of this, we must make a comprehensive estimate. Over the past two years or so, under the leadership of the party central committee with Comrade Jiang Zemin as the core, the rampaging bourgeois liberalization ideology has been halted. The construction of the socialist democratic legal system and national defense continue to be reinforced. The economy is gradually improving and beginning to achieve steady growth. At the Seventh Plenary Session of the 13th CPC Central Committee, the drafting of 10-Year Program and the Eighth Five-Year Plan was recommended. This will help China define its basic tasks and the objective of struggle. Comrade Jiang Zemin's "1 July" speech gave a further and more comprehensive explanation of the program of building socialism with Chinese characteristics. All this has the support of the party and the people. This is the mainstream of the internal situation at present. Although the world socialism is at a low ebb, China's socialism has regained its development momentum since the early 1980s. This momentum has not diminished and the trend is that it is getting even stronger. Any unbiased person will acknowledge this objective fact.

However, we cannot deny that the difficulties and problems facing us today are serious. There are, grouped together, several problems which need to be solved urgently.



1. The most important problem, and also the one which most concerns and worries the entire party and all the people, is economic construction. Comrade Deng Xiaoping emphasized that we must "focus on the construction of the four modernizations and insist on developing productivity. From beginning to end, we must hold firmly to this fundamental key, unless we have to fight a world war. Even if there is a world war, when the fighting is finished we still have to work on construction." ("Building Socialism With Chinese Characteristics," Extra Edition, p. 34) Judged from the difficulties and problems facing us at present, to achieve economic construction, we must focus on problems in two areas. First, we must persistently follow the principle of integrating the planned economy and market regulation, continuously uphold reform, and open more to the outside. This is an essential condition for realizing modernization and an inevitable path leading China to prosperity and strength. On this we must not waver. However, while we implement reform and openness we must uphold the socialist direction. We absolutely oppose privatization or making a market economy based on privatization the objective of reform and openness. Second, we must adjust the economic structure, develop science and technology, develop the overall rural economy, and improve the economic performances of medium and large state-owned enterprises. This is to ensure that China's economy takes the course of sustained, stable, and coordinated development and to reinforce and expand the socialist economic foundation. Whether we are implementing the reform and open policy, or building the economy, we must not give in to our impetuous emotions. The scale of construction must match our national strength and we must bear in mind the receptivity of the country and the people before we implement any important measure related to reform and openness. As long as we solve these problems, we will be able to ensure that China can realize socialist modernization and accomplish the three strategic objectives of economic construction.

Considering that China in the 1990s will be in a severe international environment, to accomplish economic construction, while continuing to open to the outside and fighting for foreign aid, we must uphold the principle of "self-reliance" and make sure that principle is being followed internally. On this issue we must have strategic insight and remain cool headed. Comrade Chen Yun once said: "Foreign capitalists are still capitalists." This sentence looks ordinary, yet it contains profound political and economic meanings.

2. We must straighten out construction of socialist ideology. Our cadres, especially leading cadres, should pay great attention to this and should not treat the issue lightly. Comrade Mao Zedong once said: "Any time someone wants to overthrow a political power, he must first create public opinion. He must first work in the ideological sphere. The revolutionary class will act this way and so will the counterrevolutionary class." Once again, the fact that some countries have been conquered

by peaceful evolution shows us that this thesis is not outdated. Today, imperialism instigates peaceful evolution by breaking through the ideological field and by using ideology as the major tactic. It will be quite dangerous if we only bury ourselves in the economic, technical, and administrative fields instead of observing and tackling problems from the political and ideological standpoint. It will be even worse if we think that so long as we accomplish the economic tasks, all problems will be naturally resolved. There are many problems in the ideological field and we must face the reality and accomplish the tasks. The key to this is to first solve the problems in three areas. First, party organizations at every level must pay attention to ideological affairs, strengthen their leadership, and ensure that Marxism-Leninism-Mao Zedong Thought remains as the center and guiding force in the ideological sphere. Second, we have to wave the banner in the ideological field and persistently work for the struggle against Peaceful evolution, bourgeois liberalization, Western bourgeois ideological trend, bourgeois ideology, and against the residue of feudalism. In the ideological field, we do not want "leniency, tolerance, and generosity" without any boundary, premise, or principle attached. Under the present circumstances, we want to build, develop, and prosper through struggle. Third, we must fill the social culture market with proletarian ideology and insist on educating the working people, youngsters, and children with the ideologies of collectivism, patriotism, socialism, and communism. If our party does not occupy this front, bourgeois ideology will and the antagonistic forces in the country and abroad will use this field to promote peaceful evolution. Today, the situation on this front is still serious. For instance, in some places the social cultural fronts have, to a large extent, been taken over by Western and overseas low class and cheap culture. This requires our closest attention.

3. We must reinforce the proletarian dictatorship. We must build up the People's Army and ensure that it is absolutely under the party leadership. Our party has always paid attention to this issue, especially after the political incident during late spring and early summer in 1989. The entire party realizes the extreme importance of this issue. If we do not have a People's Army directly under the party leadership, we will be helpless. We must also build up the People's Armed Police, public security police, and the organs of dictatorship such as the courts, procuratorates, and security departments. Only when we acquire all these can we have a strong proletarian dictatorship. This is the most powerful and dependable guarantee that will ensure socialist modernization proceeds smoothly. We have a strong proletarian dictatorship and, when necessary, we are not afraid to use this powerful weapon. This is the important demarcation line which can differentiate between true and fake Marxists. Comrade Deng Xiaoping pointed out: "It is impossible not to have the means of dictatorship. We not only have to talk about this means of dictatorship, we must also use it." ("Building Socialism With Chinese Characteristics," Extra Edition, p. 151) During late spring and early

summer in 1989, the means of proletarian dictatorship was used against the counterrevolutionary riot in the capital city. Individual members of the party were unable to come around to this reasoning, proving that they have long forgotten this cardinal principle of Marxism. Comrades, why not think this over: Who were the people who strongly opposed our using force to suppress the counterrevolutionary riot? Were they not the Western antagonistic forces and members of bourgeois liberalization in our country? The majority of third world leaders, not only Marxists, supported our government taking decisive measures to suppress the counterrevolutionary riot. Is not such a clear-cut alignment enough to demonstrate the essence of the problem?

4. We must have a long-term and comprehensive set of measures for the battle against peaceful evolution. Long term means that, as long as the conflicts and struggles between socialism and capitalism in this world remain basically unresolved, the struggle against peaceful evolution is unavoidable. Therefore, the struggle against peaceful evolution, as well as the struggle against bourgeois liberalization, is not some temporary policy; this is something we must uphold for a long time. Comprehensive means the inclusion of internal and external areas. Internally, we need our leading cadres of every rank, especially the higher ranking cadres, to stay alert at all times against the Western strategy of peaceful evolution. Also, all Communist Party members in every area, front, and department, and the people of all ethnic groups, must be educated in the struggle against peaceful evolution. We want to build an iron great wall which is resistant to peaceful evolution. Externally, we must persevere in building a new international order based on the Five Principles of Peaceful Coexistence. When we uphold these principles and foreign policy we will be able to win the sympathy and support of people from other world nations, restrict the imperialist nations from taking the sabotage offensive, making military threats, and promoting peaceful evolution against the socialist states, and create a better international environment for the existence and development of socialist states.

### III.

Whether we can succeed in the four abovementioned areas depends on whether we can build our party into a stronger Marxist party with the characteristics of the pioneer for the Chinese working class. Building such a strong ruling party requires three important elements.

First, party and state leadership must be held in the hands of those who are loyal Marxists. The historical lesson provided by the international communist movement has proved the truth: It is most dangerous if opportunism exists in the central leading circle of the party. The experience of our party during the several decades past has told us that when the central leadership is held in the hands of Marxists, our party can withstand any type of difficult trials. We can defeat any aggression, whether it is from the imperialists or from the internal

antagonistic forces. Combining our experiences and lessons, positive and negative, Comrade Jiang Zemin pointed out "Entrusting the leading power of all levels of the party and state in the hands of people loyal to Marxism is the most important strategic issue; it is directly related to the rise and fall, and the life and death, of the party and state." Comrade Jiang Zemin also emphasized: "We must work hard to ensure that all leading groups of provincial level or above are made up of people who are truly loyal to Marxism. From these groups we gradually train thousands and thousands of true Marxists. This requires us to work hard on training people to become leading cadres." The cadres of the central leading circle are selected from leading cadres at provincial and ministry level. The quality of the leading cadres at county and city level will often have an impact on the composition of the leading groups at the provincial and ministry levels. Therefore, we require that the party and state leading cadres who are of county level or above must be people loyal to Marxism. We must consider the training and selection of party and state leading cadres at all levels as the priority of party construction. We must do this work properly, persistently, and for a long period of time!

Second, priorities in the party's ideological building should be education, propaganda, research of Marxist theory, and the organizing of theory teams. The party has only one guiding thought and that is, Marxism-Leninism-Mao Zedong Thought. If guiding ideology is allowed to become pluralistic, then there will be different factions within the party. This will destroy the democratic centralism of the party and the party will lose the essence of being the pioneer of the working class. The main reason for carrying out Marxist education within the party is that we want the leading cadres at and above the provincial level to have solid education in Marxist theories. Once these leading cadres learn the theories properly, they can mobilize the study of theories in the entire party and improve the party's standard of Marxism. This will strengthen the integration and unity of the party and provide insurance to the issue of entrusting the party and government leading power in the hands of the people loyal to Marxism.

The low tide in world socialism is also the fermentation and preparation process for the arriving climax of world socialism. Marxists must utilize this period of time to summarize the rich experiences, both positive and negative, of the past, to find the theoretical path for solving the new and important problems facing us today, and to open up the path for the continuous upholding of socialism. The more the international communist movement declines, the higher we should hold the Marxist flag. This is why the most important task our party has to do now and in the long term, is to strengthen ideological building and carry out ideological struggle. There are many vital theoretical issues for us to resolve. For instance, there are questions about: Basic conflicts in the modern times, backward nations fighting for socialist victory, the two viewpoints of reform, China's world

strategy and struggle strategy, the nationalities problem in socialist countries, the relationship between socialist nations, class struggle in socialist societies, opposing the ideological trend of bourgeois liberalization, the strategy against imperialist peaceful evolution, the historical experience of the proletarian dictatorship, the theory and application of construction of a Marxist governing party, and about the historical fate of Marxism. These important questions require that we organize our forces so that they can be resolved one by one. Today, we have different conditions from the historical conditions in Lenin's era. At that time, there were only a few excellent Marxists to rely on for carrying out theory struggle. Today, there are socialist nations and the ruling parties are in the most advantageous position to implement theory building and theory struggle. We organize the key theorists and use their abilities to resolve important issues, as we do in the science and technology field. This is a more effective format.

Third, there is the problem of fighting corruption. Corruption directly threatens the existence and development of the party. If it is allowed to develop, the entire party will decline and degenerate. The party will become seriously alienated from the people and the result will be like a fish being kept away from water. If the party is corrupt and the social atmosphere continues to decay, this will act as preparation for the conditions and soil for imperialist peaceful evolution. To some extent, corruption is the result and manifestation of peaceful evolution. This phenomenon also enables the internal and external antagonistic forces to instigate riots, providing them with a bewitching excuse to destroy our political, economic, and social stability. The truth is that the phenomenon of corruption within the party is a reflection of world class struggle and of the class struggle in the socialist society within a limited area. No matter how complicated and difficult it is to eradicate corruption the governing party, with the characteristic of being the working class pioneer and armed with Marxism, is absolutely capable of solving this problem. Basically, the only way to solve the problem of corruption is to largely depend on improving the entire party's standard of Marxist theory, especially the standard of Marxist theory among the leading cadres of provincial rank or higher. Improving the level of Marxist theory and gradually establishing the proletarian world's viewpoint will strengthen the ability to withstand corruption and decay. Meanwhile, we should depend on supervision by the masses. It is important and necessary to improve the internal party supervisory system and reinforce construction of the legal system and administrative method. Supervision by the masses, including supervision by the media and by the individual democratic parties, is also important and necessary. At present, the supervisory department and other law enforcement departments have taken some measures, such as implementing the reporting system, and have achieved some success. But this has not been enough to stop the lingering growth of the corruption phenomena. Therefore, it is absolutely necessary to depend on and mobilize the initiative of the

people. In the past we made the mistake of enlarging the scope of attack in mass movements. This happened because there were leftist errors in the guiding thought and because we did not follow the law. As a result, when the people were mobilized, the situation went out of control. Not initiating mass movements does not mean not mobilizing or depending on the people. As long as we have the correct guiding thought and a clarified policy boundary, and as long as we strengthen the legal system and act according to the law, we can avoid the problem of enlargement.

Overall, we have to notice that, in the 1990s, there are internal and international factors which are beneficial to us but we have to pay more attention to the adverse elements. We should have sound knowledge and estimate the critical condition facing our country during the 1990s. This means that the entire party and the people of all nationalities must stay united and enthusiastic, follow the path of building socialism with Chinese characteristics, follow the strong leadership of the party central committee with Comrade Jiang Zemin as the core, and continue to hoist the red flag of socialism. On this issue there is no alternative. The imperialist and capitalist systems belonging to the old forces are outdated and will eventually be destroyed. The development trend of the decaying and dying imperialism revealed by Lenin will not be changed, ultimately the system will be conquered by the newborn socialist power. The socialist system is a newborn, progressive system. It is still in its early stage and has a great future. It represents the basic interests of all the people in the world and it is also the general trend of human historical development, it is invincible. This is why we, as communists, have full confidence in the future. On 21 March 1955, Comrade Mao Zedong said the following at the CPC National Party Congress: "No matter how great the difficulty, we can always see through it with one look. These so-called difficulties are presented to us by the enemies of society or given to us by the natural world. We all know that imperialists, counterrevolutionary elements inside the country, and their representatives within our party, are simply dying forces. Our force is a newborn force and truth is on our side. To them, we will always remain invincible. We only have to look back at our history to understand the reason behind it." "Whether it is in the natural world or in society, all newborn forces, in essence, cannot be conquered. All old powers, no matter how great their numbers, will ultimately be destroyed. Therefore, we can despise, and must despise, all great obstacles that we may meet in the world and consider them 'insignificant.' This is our optimism and it has a scientific foundation. As long as we understand more Marxism-Leninism and understand more of the natural sciences or, in other words, have a better understanding of the objective rules of the world, and make fewer subjective mistakes, we will accomplish our goals in revolution and in construction." The words of Comrade Mao Zedong from 36 years ago are quite applicable to today's conditions. From his words we can absorb spiritual strength and we should work steadily for the achievement of new victories.



## NATIONAL AFFAIRS, POLICY

### Article on Further Increasing Firm Vitality

HK120213692 Beijing JINGJI GUANLI in Chinese  
No 12, 5 Dec 91 pp 13-18, 23

[Article by Xing Youqing (6717 1635 7230) and edited by Lu Xiaoheng (4151 1420 3932) "Reflections on Furthering Enterprise Reform, Increasing Enterprise Vitality During Eighth, Ninth Five-Year Plans"]

#### [Text] I. Proposition on Target Pattern of Reform of State-Owned Enterprises in Year 2000

In planning the target pattern of reform of state-owned enterprises, it is necessary to firmly insist on the principle of proceeding from China's national conditions and take as the objective the strengthening of enterprise vitality. Under this guidance thought, state-owned enterprises may be subjected to guidance in separate categories in accordance with their different regulations of business operations, and there should be separate planning of the target pattern of different categories of enterprises. One category consists of those enterprises that bear fixed state mandatory planning tasks and are under the state's fixed and direct control. This category of enterprises, under the conditions of enforcing mandatory plans, can enlarge their decisionmaking power in enterprise operations and implement the profit and loss responsibility system. Another category of enterprises do not bear the state's mandatory planning tasks, do not accept the state's direct control in such respects as price fixing and other measures, and, subjected to the state's economic policy, guidance of laws and regulations, and regulation by market mechanism, may possess the decisionmaking power to run the enterprises. This category of enterprises may create the conditions to gradually accomplish operations by self decisionmaking, being solely responsible for their own profits and losses, self-development, and self-restriction.

Before the year 2000, why should the state still enforce fixed mandatory planning and fixed direct control over certain enterprises? This has been determined by the character of China's socialism and its national conditions and is also the objective demand in a specified historical period of enforcing planned commodity economy and firm insistence on the principle of the integration of planned economy and regulation by market mechanism.

1. For of historical reasons, China's basic industries, such as agriculture, energy, transport, telecommunications, and important raw materials, and urban and rural basic facilities are weak links in the national economy. To push the sustained, stable, and coordinated development of the national economy, it is necessary to expedite the production and construction work on the basic industries and basic facilities. On the other hand, development of basic industries and basic facilities requires a large input, takes a prolonged construction period, and is slow in output. Hence, this will lower the zest for

investment in them among ordinary investors. Take as an example the far-off regions in the western part of China. They have plentiful natural resources, but the economy is not developed, the transportation and telecommunications facilities are very poor, and the conditions of work and living are difficult and onerous. Development of these regions will require a large input, a much longer construction period, and much more difficult work and thus all the more lack attractive power to draw the ordinary investors. In particular, the long-standing price structure distortions have caused the prices of the principal products of basic industries and the charges for major services rendered by public utility enterprises to be on the low side, while smoothing out the price structure will require a rather long procedure. Under the conditions of the low profit rate of basic industries and of public utility enterprises being on the low side, it will be even more difficult to attract rank-and-file investors. Some years ago, many enterprises and many local governments showed their zest for the production and construction of so-called "short, cheap, and fast" projects. Thus, if under the conditions of the continuing inability at the present stage to fully and freely employ such macroeconomic indirect regulation and control tactics as pricing to allow regulation by market mechanism, then it will be difficult to make capital funds flow more rationally and quickly in the direction of basic industries and basic facilities. To facilitate rationalizing the industrial structure and expedite constructing basic facilities, in a specified historical period and within the realm of basic industries and basic facilities, it is a "must" to enforce a certain degree of mandatory planning regarding the important products and labor services rendered by the backbone enterprises when and as the state carries out planned and major capital construction.

China's national conditions differ from those of Japan and other countries. China is a big country, has a large population, but is weak financially, and there is a large demand for such products as grain, cotton, and other products and for the major means of production including raw materials, energy, and other products. Since China has enforced the policy of opening up to the outside world, it is of course possible to import from other countries certain of the aforementioned commodities and services, but there must not be a main reliance on the international market, and we must firmly insist principally on the guideline of self-regeneration and the gradual establishment of a national economic structure which is independent and relatively integrated and possesses a coordinated industrial structure. It can thus be seen that to push the rationalization of the industrial structure, it is necessary to employ in a comprehensive manner various tactics such as planning, economics, and others.

2. Because China is a socialist country, the operational target of its publicly owned enterprises should place social effects in first place. Based on this precondition, it is necessary to enhance enterprise effects and simultaneously to prevent falling into the pit of one-sidedly



striving for enterprise effects. For this reason, government should enforce fixed direct control over the public utility enterprises. For example, regarding waterworks in regions lacking water resources, under the conditions of ensuring rational water supply, ways and means should be devised to effect economy in the use of water. Government should strengthen its direct control and prevent the occurrence of profiteering tactics such as the random sale of tap water. At the same time, public utility enterprises should base their charges on due consideration of the ability to bear on the part of urban and rural residents with middle- or lower-level income. In general, the social average profit rate of capital funds should not be used as a standard for fixing the charges. The standard of fee collection by these enterprises should be subjected to screening, fixing, and approval by the corresponding local governments.

3. It goes without saying that war industry enterprises with a bearing on national security, special commodities which must be subjected to state monopoly, special enterprises, major construction and important scientific research, production, and operation activities must abide by the state's mandatory plan and be subjected to the state's direct control.

Before the year 2000, following the coordinated development of the national economy, the continuous growth of the various kinds of markets, and the gradual smoothing of the comparative price relationship between various kinds of commodities, it is necessary to reduce greatly the coverage area of enterprises which bear the state's mandatory plan tasks and are under the state's direct control. Regarding enterprises of this category which must be retained, the way of improving enterprise reform is principally to further perfect the contracting system to the extent of contracting not only for the operational effects but also for value-conservation and value-increment of the assets. This category of enterprises principally embrace certain corporations of a nationwide scope, certain large enterprise groups, and large backbone enterprises. They occupy an extremely important position in the national economy but are few in number. If the state can carry out separate, one-on-one negotiations with these enterprises, it will help in doing a good job in concluding a contracting agreement and in the work of supervising its execution. In view of the different conditions of the industries and enterprises, conducting such negotiations will make it possible to proceed from the actual conditions of the industries and enterprises, be directed against their different special features and can better enforce an appropriate preferential policy. By so doing, it will also be beneficial to the development of the above-mentioned industries and enterprises. The extremely small number of public utility enterprises subjected to the state's direct control should henceforth perfect their business responsibility system, which should be of a policy nature and calls for small profits as well as responsibility for both profits and losses. They should also add to the contents of their agreement the contracting for the assets as well.

Under the conditions of reducing but retaining a fixed amount of direct control, the government should delegate more power to the enterprises which should further improve their business operation mechanism, encouragement mechanism, and restriction mechanism to the end that they can bear the responsibilities of value-conservation and value-increment of assets as well as the burden of responsibilities for both profits and losses in their business operations.

In the case of another category of enterprises, conditions should be created for setting up and perfecting a mechanism for decisionmaking in operation, for being solely responsible for their own profits and losses, and for self-development and self-restriction. They should also be developed into being truly and solely responsible for their own profits and losses. This category of enterprises will occupy by far the great majority of the state-owned enterprises.

That enterprises can truly become responsible for their own profits and losses, there must be three necessary conditions, that is, they can make decisions in operation and price fixing, and in the event of the loss of the capital funds delegated by the state to the enterprises for their use, if the extent of the losses reaches bankruptcy proportions, then bankruptcy should be declared. For the enterprise to make decisions in operation, it will be necessary to carry out separation of administrative from enterprise functions, separation of government's economic control functions from the owners' functions, separation of the government's collection of income tax from the enterprise delivery of profits to the owners, and an appropriate separation of the enterprise's ownership right from its operation right. The enterprise, subject to the guidance of the state's macroeconomic policy and regulation by market mechanism and acting on the basis of strict observance of discipline and law, may then completely enjoy decisionmaking in operation. For the enterprise to accomplish the feat of making decisions in price fixing, it will be necessary to push reform of the price control structure, and gradually expand the area of loosening the control of the commodity prices so the enterprise has the right to fix the prices of the products which it produces and handles. That the enterprises should implement the bankruptcy system implies the necessity to improve further the social protection and security system so that under the conditions of social stability, enforcement of the bankruptcy law is practicable and feasible. At the same time, it is necessary to perfect further the measure of amalgamation and merging of enterprises and better integrate enterprise bankruptcy and enterprise amalgamation and reorganization. The road to furthering reform of this category of enterprises is. In the Eighth Five-Year Plan, the contracting system should be further perfected, at the same time, for the sake of acquiring experiences, we should enforce the piloting measures coordinating with the reform such as "separating the flow of taxes and profits, post-tax contracting, post-tax repayment of loans," and raising the depreciation rate. In the Ninth Five-Year

Plan, the time should be appropriate for pushing the program of separating the flow of taxes and profits. By that time, the income tax rates of enterprises under different ownership systems should be unified to facilitate competition on equal terms. Conditions should also be created to improve the measure of post-tax contracting and change the complex method of separate and one-on-one negotiations. After pushing the program of separating the flow of tax and profit, continuously improving the reform of currency, commodity prices, labor, wages, social security, and other measures, and the continuous growth of the various markets, by the end of the Ninth Five-Year Plan, this category of enterprises should strive hard to operate by themselves in decision-making, self-development, and self-restriction. At the same time, conditions should be created to enable the principle of survival of the fittest to play its role in the competition on terms of equality among the enterprises of this category so that by means of such forms as amalgamating, reorganizing, and declaring bankruptcy, those enterprises which do not conform with the direction of industrial development, are poor in quality, and unable to produce good effects, will be continuously eliminated.

Implementing the program of separating the flow of tax and profit will also provide the necessary conditions for developing enterprises of the shareholding system. The major point in the development of the enterprises of the shareholding system is principally the development of mutual shareholding by enterprise legal personnel (including business legal personnel). Regarding shareholding by staff members and workers, this generally should be enforced among collective enterprises. As for the measure of absorbing private persons from society to hold shares as one of the pluralistic economic forms, the appearance of enterprises of this kind cannot be avoided and should be allowed but should be subjected to strict restrictions. Be it shareholding by staff members and workers or shareholding by private persons in society, in the distribution by enterprises, efforts should be made to prevent irrationally giving way to receipts by the individual. In the Eighth Five-Year Plan and Ninth Five-Year Plan, for the sake of meeting the needs of lateral economic combination, amalgamation, and organization of enterprise groups, mutual shareholding by enterprise legal persons should be greatly encouraged. As for the other categories of shareholding enterprises, they may be tried out in the initial period of the Eighth Five-Year Plan. The experiences should then be summed up. Then, on a standardized basis the area of enforcement should be gradually expanded.

When and as the program of the separation of the flow of tax and profit can be pushed on a large scale, for the sake of unifying the tax system, it can also be considered that among the extreme minority of the enterprises still intent on carrying out the contracting system, contracting may still be pursued but under the name of separating the flow of profit and tax. If the enterprises need greater

retention, refunds of tax may be made, if the enterprises wish to deliver more, then delivery may be made from their post-tax profits.

## II. On Monopoly and Competition

Monopoly embraces two categories. One is state monopoly including monopoly by local governments. For example, special enterprises of the war industry, enterprises of the natural monopoly-type like water-works and others, certain strategic material resources of key importance, extremely important foreign trade commodities and others, must be subject to monopoly by the state. This sort of state monopoly with a specially defined scope is entirely necessary. The other category is enterprise monopoly which is of a dual character. Enterprise monopoly is an economic phenomenon of a fixed historical period growing out of the basis of capitalist social free competition. Accompanying the high-degree centralization of production, it has the effect of actively promoting the development of the productive forces. However, it also has its drawbacks, principally that, subsequent to enterprise monopoly, the pressure force and motive power of competition are lacking, laziness and tardiness can be easily generated, and monopolistic prices may be formed to the detriment of the interests of user-households and society at large.

At present, the main problems existing in the organizational structure of China's enterprises are their smallness, their generally loose and scattered structure, their endeavor to be comprehensive in production, too many enterprises of the same category, low stature of specialized division of work and coordination, and too many so-called "comprehensive" plants. It may be said that up to now there has been no phenomenon of a single enterprise monopolizing all domestic markets. Even such nationally large corporations as the China National Petrochemical Corporation and the China National Nonferrous Metals Industry Corporation have been able to monopolize the whole country's markets only basically but not completely. To facilitate the development of productive forces and enhance the competitive power in international markets, we should effectively and thoroughly implement the industrial policy. Concerning the newly built and expanded projects of enterprises of the capital- and technology-intensive type, they should be subject to strict screening and examination in accordance with the principles of realizing dimensional economic effects and the rational distribution of the productive forces and also subjected to strict control by means of planned, economic, and legal tactics. At the same time, enterprise groups should be actively formed and developed through lateral combination and amalgamation, their dimensional economic effects should be enhanced, their economic and technical power should be strengthened, and their overall strengths should be better displayed. Moreover, regarding the capital- and technology-intensive type of enterprises, they should be encouraged to form enterprise groups, by means of combination and amalgamation to increase further the degree of centralization in production. To prevent the

generation of laziness because of the lack of competition on the part of national corporations and large enterprise groups which have already formed—or are in the process of forming—basic monopolies, they should be encouraged, under the precondition of displaying the strengths of enterprise groups, to actively develop necessary and rational competition internally among its branch groups and enterprises and also to take part in competition in international markets. Recently, important commodities produced, and important labor services rendered, by these national corporations and large enterprise groups are in general subject to the state's necessary price control. From now on, following the continuous progress of price reform, the scope of products under the state's direct price control will be daily reduced, although in the case of the most important products and services of these corporations and enterprise groups, the state may still, based on the conditions of the time, adopt an appropriate form of exerting the necessary price control over them.

At present, because of the influence of the financial, currency, and planning systems, a state of affairs has developed in which departments and localities have mapped out their respective spheres of influence and certain localities and departments have indulged in monopolistic practices. Appearances of such abnormal phenomena yield extremely adverse effects on the development of competition between the enterprises, on the formation and growth of national unified market, and on the enforcement of effective macroeconomic regulation and control. They should be early banished through deepening reform.

On the competition problem. Competition is an important element in strengthening enterprise vitality and enterprises should be encouraged to employ proper means to develop competition. However, as for the large enterprise groups formed under the guidance of the industrial policy and the relevant medium-sized and large backbone enterprises, the state should adopt a more or less preferential policy toward them and should not generally advocate competition on equal terms insofar as they are concerned. In the case of enterprises whose operation activities are wholly governed by market regulation, emphasis should be laid on their competition being on the basis of equal terms and in the spheres of taxation, credit and loans, prices, and so forth, an external environment beneficial to development of competition on equal terms should be created for them.

### III. In Increasing Enterprise Vitality, Necessary To Treat Both Source and Symptom, but With Emphasis on Source

At present, the external environment of enterprises is a rather serious one, while within the enterprises, many problems also exist. In increasing enterprise vitality, it is necessary to grasp both external and internal factors. Government should strive hard to create a relatively good external environment for the enterprises, while the

enterprises should turn their eyes inward and concentrate on continuously improving their own quality, gradually improve their internal operational mechanism, and do their best to increase the variety of products and improve the quality of products and their economic effects.

The difficulties confronting the enterprises have their surface-layer causes and their deep-layer causes. Among the former, we may mention market weakness, shortage of capital funds, burden of debt chains, heavy social burden, and so forth. The deep-layer causes may be mentioned as the irrational economic structure, unsmooth management system, and generally low economic calibre. Naturally, the two are innately related. Inside the surface-layer problems deep-layer causes may naturally be found while problems of deep-layer causes may also be reflected in the surface-layer phenomena. In order to extricate the enterprise from the dilemma and to gradually put it on the track of a benign cycle, we should proceed from first grasping the surface-layer causes and simultaneously devote great efforts to solving the deep-layer causes in a planned and gradual manner. That is to say, treat the source and the symptom in combination but place the emphasis on treating the source. Some comrades have not paid sufficient attention to the factor of economic quality among the deep-layer causes. We should extensively solicit views and opinions, study and offer countermeasures and suggestions to improve the economic quality and work in a down-to-earth manner to perform a good job in enhancing the economic quality. Economic quality embraces the level in macroeconomic decision-making, the ability in macroeconomic regulation, control, organization and coordination, quality of the macroeconomic control corps, as well as, on the microeconomic side, quality of the staff members and workers, quality of the enterprise's technical equipment, and quality of management and operation. Speaking about the important aspect of enhancing the quality of the staff members and workers, it is necessary to organize, in a planned manner, the training work of the staff members and workers and more importantly to watch closely their actual performance at their current posts, training them in technology, in business and in ideology and behavior. It is necessary to attach importance not only to the staff members and workers in general but also to the leadership team, high-level personnel, top-notch talented personnel in respect of their assessment, use, training, and cultivation. We must greatly strengthen ideological and political work, stress the importance of the leadership cadres playing an exemplary role, and, inside the enterprise, strive hard to cultivate and play up the atmosphere of learning from the advanced, catching up with the advanced, glorifying the advanced, and everybody ultimately becoming the advanced. At the same time, within the enterprises, the competition mechanism for talents should be perfected. Stepping up the building of the enterprise leadership team is the key link in enhancing the quality of work of the staff members and workers and among the factors in putting the enterprise's internal affairs in good shape and



good running order, it is the decisive factor. The enterprise should place the work of building up of the leadership team as a matter of great importance in the daily agenda of work. In combination with the perfecting of the enterprise's leadership structure, we should so build up the leadership team as to put it in close liaison with the masses, and make it prestigious and possess strong fighting power. The relevant upper-level organs of state-owned enterprises, or from now on the representative organs of owners of state-owned enterprises, should perform their work pertaining to the cultivation, election, selection, appointment and dismissal of principal leadership cadres well.

#### **IV. Attach Great Importance to Formulation of Business Development Strategies of Enterprises**

Business development strategies of enterprises provide the guiding principle for the operations and growth of the enterprises. The enterprises' series of activities in the sectors of science, technology, production, operation, construction, training and cultivation of personnel all surround these strategies in their opening up and development and enforcement. The ideological and political work of the enterprises and their welfare work for the staff members and workers on the one hand serve the realization of the targets of the enterprise's business development strategies, and, on the other hand, offer the guarantee and necessary conditions for the realization of these targets. Whether or not the enterprise's business development strategies have been correctly formulated concerns the destiny and future of the enterprise. Therefore, the first and premier task of the leadership level of an enterprise is to promptly formulate or revise its business development strategies and seriously organize their enforcement.

Three conditions are needed in formulating correct business development strategies of an enterprises: 1) Plentiful and reliable news and information are needed for the formulation of such strategies. 2) There must be a strong and healthy decision-making system. 3) The quality and level of the decision-making personnel must be of a high calibre.

It is necessary to greatly strengthen the collection work of news and information, including news on planning, policy, market, and technology. Only through possessing full knowledge of national conditions, market conditions, and enterprise conditions can the enterprises formulate correct business development strategies. Hence, enterprises should actively create conditions to develop and perfect the enterprise news and information network. Under governments at various levels, the various industry and trade control departments, economic overall control departments, and news and intelligence departments and, in society, the industry and trade federations, news advisory units, news publishing units, and so forth, should all, within the scope of their duties and functions, strive hard to develop news sources and organize the work of collecting, adjusting, estimating,

analyzing, circulating, and exchanging news and information well. On the part of the government's industry and trade control departments and society's industry and trade federations, they should display their pivotal role in the organizational work of news collection. They should, in the same way as in planning work, pay close attention to maintaining a balance between total supply and total demand and to structural readjustment. They should seriously grasp news and information collection work and greatly open up the news advisory market. From now on, an important direction in reform of the economic structure is to further reduce the scope of mandatory planning, appropriately expand the scope of guidance planning, and put onto full play the role of regulation by market mechanism. To correctly formulate mandatory planning, naturally it is necessary to extensively and intensively collect and process large quantities of news and information, but in expanding the scope of guidance planning and displaying the role of market mechanism, it is all the more necessary to put into full play the active role of news and information guiding the enterprise's operations.

In order to have a strong and healthy decision-making system, it is necessary to first improve the enterprise's leadership structure and at the same time to establish a set of scientific and democratic decision-making procedure which has the merits of making investigations and study, extensively canvassing for views and opinions, citing cases of relevant discussions and centralizing decision making. The enterprise's leadership system should vary with different enterprises, be subject to guidance of various sorts and there should be no one-way determination. As we look at the development history of the enterprise leadership system in the world, it is found to have gradually evolved accompanying the development of productive forces and the expansion of the scope of operations of the enterprise. At the same time, it is subject to the restriction and influences of the enterprise ownership system. In China, the level of productive forces of enterprise varies and the operation scope likewise varies. Hence, the leadership system of the enterprise should not be of the same and one pattern. Among the state-owned enterprises, the medium-sized and small ones whose production and operation activities are relatively simple, and even in the case of certain large enterprises of the same category, should enforce the plant-head responsibility system. Numerically, they will constitute the majority. As for those large enterprises with a wide scope of production and operation and belonging to the capital- and technology-intensive type, they should more appropriately enforce the system of collective leadership by a number of operators. Shareholding enterprises formed by legal persons of state-owned enterprises should decide on the category and type of leadership system, based on the nature and scale of their production and operations. Some may enforce the system of collective leadership by board of directors and some may adopt the plant-head responsibility system, that is, the board of directors holding the power of profit distribution, and the power of appointing or

dismissing the plant head, or the power of recommending his appointment or dismissal, leaving all other operation powers to the discretion of the plant head. Collective enterprises are generally suited to the adoption of the system which combines the special features of collective economy of staff democratic management and plant-head responsibility. In perfecting the enterprise leadership system, it is of utmost importance to demand of the various sides inside the enterprise of the party, administration, and staff to be united in one mind and soul, understand each other, and help each other in ideology and cooperate with each other in work.

We should enhance the quality and level of the decision-making personnel and demand the enterprise leadership team to increase their consciousness and to raise their own decision-making level and business level through summing up experiences and learning. We must stress learning the use of scientific soft wares and employ the supplementary decision-making method of the combination of fixed quality and fixed quantity. Relevant departments of governments at various levels should also provide opportunities and conditions for the enterprise leadership cadres to learn and to be trained in a planned manner.

Surrounding the formulation and revision of the enterprise operation and development strategies, the enterprise should promptly and suitably raise the standard of living and welfare level of the staff members and workers, further formulate plans of action and methods of enforcement, fiercely grasp and carry them out to ensure the realization of the enterprise's business development strategies. All this should be done on the basis of deepening internal reform, improving management and control, pushing scientific progress, strengthening the construction of the organizational structure, augmenting the build-up of the contingents, performing good job in ideological and political work, developing production and enhancing economic effects.

It happens that certain enterprises, being ill-suited to the particular industry or trade, their products not being marketable, or they themselves being too poor in quality, have felt no future for development and hence decided to close, suspend, amalgamate, or reorganize. At times, this may be a relatively good choice.

#### **V. Organizing Enterprise Groups, Developing Lateral Combination, Ameliorating Enterprise Organizational Structure, Pushing Rational Readjustment of Product Structure and Even Industrial Structure**

Formation of enterprise groups and development of lateral combination and amalgamation constitute the integration point of liaising with economic development, structural readjustment, deepening reform, and enhancement of enterprise quality, being not only an important road to the current enhancement of enterprise economic effects but also carrying an important significance in the long-term and healthy development of the national economy. In particular, large enterprise groups, large and especially large enterprises are the representatives of

China's advanced productive forces, pillar of the national economy, main forces of the development of the economy, and the national team for participation in international competition. The work of grasping the work of organizing and developing enterprise groups well thus possesses even greater significance.

In organizing and developing enterprise groups, the key lies in establishing and strengthening the nucleus layer of the enterprise group. The so-called nucleus layer in general refers to the constituent portion inside the enterprise group which can carry out unitary control of the assets and of the operations. The nucleus layer of an enterprise group organized in the shareholding form refers to the head office of a shareholding company, the branch and subbranch companies under its investment and control, and to the share-controlling company whose shares are controlled by the head office. The main body of the ownership right of the head office is a pluralistic one but the assets are subjected to unified management. The branches and suboffices must take orders from the head office in their important business activities. The head office holds the controlling power over the important business activities of the share-controlling company. Thus, the nucleus layer of an enterprise group organized in the shareholding form also refers to the constituent portion which can carry out unitary operation. The nucleus layer of enterprise group formed by the above-mentioned two categories or by their intersection is in effect the main body and bulwark of the enterprise group. Based on the development needs of enterprise groups various practical measures should be devised to actively consolidate and develop the nucleus layer of the enterprise group such as, among the state-owned enterprises, enforcing the noncompensatory transfer or merging of assets, enforcing compensatory amalgamation, enforcing enterprise contracting, enterprise leasing and enterprise on trust, as well as enforcing merging in the shareholding form, enforcing share control, and so forth. In organizing the nucleus layer of enterprise group, adoption of the form of the shareholding system is not the only selection. However, in developing the linking liaison of capital funds of transregional and transdepartmental enterprises, adoption of the stock and share form is more suitable. In the procedure of the organization of the nucleus layer of enterprise group, the form of the shareholding system will envisage a rather great development. In the organizational structure of enterprise groups, frequently there may be found semiclosed layers and loose and lax layers. So-called semiclosed layers refer to the fact that the nucleus enterprises of enterprise groups participate in the shares of certain constituent units of the enterprise group and that a semiclosed layer is formed by whatever constituent units of the enterprise group having a share participation relationship with the nucleus enterprises. Regardless of whatever type or category of enterprise group, its semiclosed layer is organized through the form of share participation.

The general conception of an enterprise group is that it is one with a nucleus layer, but there are also enterprise

groups of the semiclosed type. This is when certain related medium-sized and large backbone enterprises join together with scientific and research units, the various enterprises and units jointly take part in the shares, raise funds, and form an actual group company. This group company, relying on the component units, adhering to the rules and regulations of the group company, and within certain important and mutually related operation and business scope, has the power, on the basis of democratic negotiations, to plan, organize, and coordinate in a limited way the strength of these units to take part in market competition, and also has the obligation, according to the rules and regulations, to provide services to the component units. The relationship of this kind of group companies with the component units is not like that of the pivotal large enterprises in the nucleus layer of enterprise group with the component units. In the latter case, when important operation activities are concerned, the enterprises have the function and power of directing and managing, whereas the group companies in reality of the nature of jointly run companies. In these semiclosed types of enterprise groups, the original enterprises do not need to lose their position of legal persons and their economic interest relations also do not need to be greatly readjusted. Hence, it is easy to organize them but since they require a lot of coordination work, it is also difficult to run them well. Nevertheless, if objectively there is really need for them such as jointly providing whole-set equipment, jointly developing products, and so forth, and if the group company has definite and clear service aims, the leadership layer is strong and effective, and the constituent members are of one mind in supporting the development of the company, then there is entirely the possibility of running them well. Thus, the organization and development of this category of enterprise groups should be supported.

There are two roads to the formation and development of enterprise groups. One is on the basis of the enterprises spontaneously taking up lateral economic combination and merging. The other is principally the use of administrative tactics. In fact, either road may be taken, subject to the following considerations: conformity with the needs of development of the national economy and development of the enterprises, active participation by the relevant enterprises on the basis of close scrutiny and discussions, sufficient evidence of the need for the formation of the enterprise group, particularly the formation and development of the group's nucleus layer and all possibility of its active and steady enforcement. Since China takes the economy of the public ownership system as the basis and enforces a planned commodity economy, this provides advantageous conditions for the formation and development of enterprise groups among the enterprises under the public ownership system. We should put these advantageous conditions to good use. The commission for restructuring the economy, planning and economic commissions, departments in charge of the industries and trades of the State Council, provinces, municipalities, and autonomous regions should all

strengthen their guidance over the organization of enterprise groups and push forth the work thereon. The work of organizing and developing enterprise groups should be based on need and feasibility. Combination of the strong and merging of the strong should be advocated to enhance the strength of the enterprise group as soon as possible, but such work is rather difficult and we must stress more investigation and study, engage in more negotiations and discussions, and in formulating the relevant program, do more hard work in comparison, demonstration, and offering evidence; so the formulated or revised programs, through our careful premeditation, will become all the more suited to the process of forming and developing enterprise groups. We must prevent working purely for the sake of facilitating government control or the narrow benefits of the local governments or departments. While adopting any necessary compulsory measure on the enterprises, we should avoid ignoring the conditions and feasibility and should also avoid the tendency of rashness.

In organizing and developing enterprise groups, particularly in organizing the nucleus layer of the enterprise group and pushing the enterprise's lateral combination and amalgamation, it is necessary to break the limitations imposed by the ownership system of the localities and departments and carry out an open selection of the best and the most qualified. Hence, corresponding coordinated reform should be carried out in the various sectors of finance, currency, planning, labor, wages, and statistics. In the event of suffering from limitations of current objective conditions and that the large-scale plans of reform in the above-mentioned sectors cannot for a time be enforced, then, on the precondition of giving due assurance to protection of the interests of the state, the various provinces, municipalities, and autonomous regions may formulate in advance certain transitional measures to push the development of enterprise groups and the lateral combination and merging.

#### **VI. Further Implementing Guideline of "Economy Relying on Science and Technology and Science and Technology Facing Economy"**

Science and technology constitute the premier productive forces true to their name. The rise of enterprises and the growth of the economy are inseparable from the progress of science and technology. This is particularly true with enterprises of the technology-intensive type.

In order to push the enterprise's progress in science and technology, it is necessary to create the necessary conditions, perfect the enterprise's scientific research structure, fill in and strengthen the scientific and technological corps, and raise the level of the planning and experimental equipment for scientific research. In the case of certain principal and large enterprise groups, the state should selectively support their building of scientific and technological development centers which possess great strength of the national level to accelerate their climb to the peak of technology and expedite the renovation of the important commodities. The enterprises



themselves should strive hard to improve and perfect their economic responsibility system on the various sides of news and intelligence collection, technological development, solving of difficult technical problems, introduction and digestion of technology, technical transformation, and technological training and cultivation. They should correctly handle the right and benefiting relationships of the various relevant sides and arouse the positivism and activism of the various sides. Regarding technical transformation projects which the enterprises can undertake by themselves, they should, on the basis of competition on equal terms, take part in submitting tenders for contracting.

It is necessary to highly regard the problems of increasing the vitality of the scientific research units, further improve their external environment, improve their scientific research operation mechanism, and push the integration of scientific research and production. It is necessary to actively lead and entice universities, academic institutes, and scientific research units possessing the capacity and ability in technological development and solving of difficult technical problems, to join the enterprise groups via various means and forms. It is also necessary to advocate and organize between the enterprises and the universities and academic institutions and between the enterprises themselves to engage in various forms of activities in technical cooperation and exchanges in technology as well as opening up and developing markets in technology.

It is necessary to fully display the strengths of state-owned enterprises and the planned commodity economy and organize the related strength and concentrate forces to fight a battle of annihilation against those vexing problems on the industrial front such as concerning technical development, solution of difficult technical problems and the introduction and digestion of technical projects. Aside from the scientific and technological plans organized and enforced by the State Planning Commission and the State Science and Technology Commission, the various departments in charge of industry and trade under the State Council and the provinces, municipalities and autonomous regions may employ the method of guidance planning, in combination with economic tactics that can be possibly used, to organize, coordinate, and enforce important projects on technical development, solving of difficult technical problems and in connection with the introduction and digestion of technology. Projects with important technical achievements which clearly have economic effects and social effects should be actively advocated for adoption and enforcement among the enterprises based on the principles of voluntary participation, requiring compensation, mutual benefit and support from the policy. As for important projects which have technical achievement in connection with prevention of pollution and economical use of energy and of materials, the government may adopt compulsory measures to effect their enforcement within a stated period.

### 1992 Commodity Prices Analyzed

92CE02924 Beijing JINRONG SHIBAO in Chinese  
13 Jan 92 p 3

[Article under the rubric "Special Year-End Essay": "Although Inflationary Pressure in 1991 Increased Over 1990, Commodity Prices Remained Stable. Will Inflation Be Unleashed This Year? Take a Look at the Following Analysis by Comrade Dai Genyou (2071 2704 2589) The State of 1992 Commodity Prices"]

[Text] When 1990 was just about over we said, "Whether there is an inflationary crisis in 1991 depends upon the degree to which we keep inflationary pressures leashed." At that time we mentioned three factors: Relaxation of price controls, the degree of anxiety about inflation, and the level of interest on concrete savings deposits. Looking at the actual course of 1991, these three factors were kept well under control. In 1991 we took an important step with respect to grain and oil crop selling prices, but we did not at all deregulate prices of other important nonstaple foods. Because the economic picture took a turn for the better in 1991, householder incomes and price expectations stabilized and there were essentially no panic buying sprees anywhere in the nation. Moreover, the subsidy rate on deposits was maintained at zero throughout and the substantive interest rate on deposits during most months of the year reached 5 or 6 percent a rare event for the past several years. In addition to the above three inflationary factors that were kept well under control in 1991, the stability of commodity prices owes much to the following factors:

1. **Bumper crops were harvested despite natural disasters.** The supply mix agricultural and sideline products has changed in response to several years of reform in the countryside and progressive improvements in production and marketing structure. In addition, the supply mix can also change in response to changes in demand. Overall stability in the market for agricultural and sideline products naturally ensures that retail prices will also remain stable.
2. **Urban durable consumer goods purchasing slumped.** Although there was no decline in the flow of durable consumer goods to urban residents in 1991, there was a major decline in purchases of these goods. Purchasing power with respect to marketed commodities has a direct effect on market prices. The drop in purchases of durable consumer goods in urban areas naturally helped to keep prices of these goods under control.
3. **Peasant income and rural consumption remain below the norm.** Peasant income grew somewhat in 1991 but remains far below growth in urban worker income. Because peasant income grew slowly, rural consumption also increased more slowly than urban consumption. The rural market is the pillar of the Chinese market, and when the former does not flourish, it of course has an important inhibiting effect on overall commodity prices.



4. During 1991, investment remained high, but due to reconstruction it was basically suitable as far as the supply of investment products was concerned. Prices of most investment products, such as steel, cement, lumber, machinery, and equipment, remained stable. Investment in 1991 did not exert much pull on consumer prices.

5. Reform of the foreign trade system in 1991 substantially changed our past pattern, in which trade to produce foreign exchange promoted inflation in trade goods prices. One general outline can be applied both to clarify the reasons why inflation was not unleashed on us in 1991 and to analyze the commodity price trend in 1992. In 1992 the commodity price planning and management climate should not change much. As of now household price expectations are remaining basically stable, and we have seen no clear indications of any fluctuation. Because the overall commodity price level is fairly low, savings deposits are maintaining a rather high regular interest rate. The bumper agricultural harvest in 1991 laid an excellent foundation for the supply of agricultural and sideline products, both for consumer use and for use in light industry during 1992. Urban purchasing power with respect to durable consumer goods will not increase suddenly, on the contrary, the widespread promotion of housing reform throughout the country will also inhibit some demand for durable consumer goods. The benefits of foreign trade reform accomplished in 1991 will continue to be felt through 1992. All these are factors conducive to commodity price stability in 1992. Factors not conducive to overall commodity price stability in 1992 are as follows. First, it is estimated that there will be some growth in rural purchasing power. Last winter and this spring investment in water conservancy projects expanded rapidly, and peasants will receive an income boost from this. The rate of growth in the value of township enterprise output will also rapidly pick up. Moreover, in 1992 the state will raise procurement prices for agricultural and sideline products, which will in turn raise peasant incomes. In addition, the regulations recently enacted by the State Council to alleviate the burden on peasants will have some effect on their actual disposable income. Because the increase in income from the above sources is distributed fairly evenly among peasants, the law of consumption indicates peasant consumption should increase. It is predicted that this will play an active role in stimulating the rural market in 1992. Second, it is currently difficult to predict what the scope of investments in fixed assets will be during 1992. Based on current enterprise financial strength and the mechanisms driving the economy, in 1992 we should guard against any new cycles of over investment. At end November 1991 capital construction and building industry savings in the state bank were growing rapidly, as were enterprise settlement account savings. This shows that these enterprises have money on hand. Right now new industrial projects are expanding quickly and there is an enhanced capacity to absorb funds invested in fixed assets. The mechanisms driving enterprise and, in fact, the overall national economy, essentially have not changed much. What we have are the mechanisms of

expansion. In 1992, if the state bank does not control funds in circulation and credit for investment in fixed assets, this kind of investment may very possibly grow too rapidly. The growth of peasant incomes and this indeterminate factor of investment in fixed assets are the two factors most detrimental to commodity price stability in 1992. At the very least they create an element of uncertainty. Consequently, our basic assessment of the 1992 commodity price situation is as follows: In 1992 the overall average commodity price level will be higher than that of 1991, but not by much. Preliminary estimates place the increase at about 6 percent. If we can keep the retail price increase to 6 percent, or at most 7 percent, the general economic situation will remain stable. The above assessment of the 1992 commodity price situation can be objectively judged based on the 1991 retail price trend. The monthly indexes (in percent) for January through October 1991 were as follows: 1.4, 1.0, 0.9, 0.6, 3.1, 3.8, 4.2, 4.4, 4.0, and 4.3. Developing from the 1991 year-end base, the commodity price index in the first half of the year will be no less than 4 percent. Logically speaking, prices are now on the increase. Generally we can predict that they will rise more than 4 percent by the latter half of the year, and the increase for the year may average as much as 5 percent. We can also better understand this prediction of the 1992 commodity price situation by looking at the correlation between retail prices and industrial production since 1984. Statistical data since 1984 indicate that when the GVIO exceeds 15 percent, generally the retail price index will exceed 7 percent half a year later. For example, in 1984 the GVIO increased from 14.4 percent in September to 15.1 percent in October. Then, in 1985 the retail price index rose from 5.5 percent in April to 7.2 percent in May. Seven months elapsed between the two events. From November 1986 to March 1989 the GVIO growth rate was generally over 15 percent, ending at 14.8 percent that March. From May 1987 to November 1989 the retail price index was always over 7 percent, ending at 7.1 percent that November. Eight months elapsed between the times the GVIO growth rate fell below 15 percent and the retail price index fell below 7 percent. From the end of April 1989 to present, the GVIO growth rate has never exceeded 15 percent and the retail price index has never exceeded 7 percent. However, as the GVIO growth rate recovers, the retail price index will also begin to rise. The GVIO growth rate increased markedly in the fourth quarter of 1990 and the retail price index also increased markedly beginning in the third quarter of 1991. In July it began to exceed 4 percent, and has continued above that level for four months. It is even now on the rise. The above practical data indicate that if a retail price index increase of 7 percent is the upper limit for controlling inflation, then growth in our GVIO should not be allowed to exceed 15 percent. Applying this practical data to the current commodity price trend, if we are unable to maintain relative stability in the rate of gvio growth, and in fact it continues to grow by more than 15 percent, at some point in 1992 (such as the latter half of the year) retail price inflation will exceed 7 percent. From this we

conclude that the danger of high inflation persists in 1992, and we are now at the crossroads of stable economic growth and overheated economic growth.

## PROVINCIAL

### Hebei Governor Chen Weigao Stresses Monetary Work

SK3103032692 Shijiazhuang HEBEI RIBAO  
in Chinese 28 Jan 92 pp 1, 2

[Article by Cheng Weigao, governor of Hebei Province, "Strive for Capital Flows and Enliven Monetary Work To Facilitate the Unity of the Efficiency, Growth, and Capacity of the Economy"]

[Text] 1. Monetary departments did make significant contributions to Hebei's economic development in 1991.

In 1991, Hebei's economic development rate returned to normal, economic efficiency began to pick up, and some economic indexes were better than the national average. In general, we achieved a good beginning in the first year of the Eighth Five-Year Plan period and laid a fairly solid foundation for future development. In the past year, monetary work, as the most direct means of the macroeconomic regulation and control, played a positive role in maintaining currency stability continuously, alleviating the strained supplies of funds, and promoting Hebei's economic construction. Banks made great efforts to organize saving deposits to increase the sources of credit funds, thus beginning to ease the strained supplies of funds. Conscientiously implementing the money credit policy of "controlling the total demand and supply and adjusting the structure," monetary organizations at all levels adjusted the structure of loans in line with the principle of "adopting different measures for different cases with support given the superior and limitations imposed on the inferior." They played an important role in supporting agricultural development, improving large- and medium-sized state enterprises, and developing imports, exports, and key construction projects. The development of insurance business last year also played a role in safeguarding economic development.

Despite the great achievements in economic construction last year, there are still many deep-seated contradictions in our current economic activities, which restrict the coordination and unity of the efficiency, growth, and capacity of Hebei's economic construction and affect our endeavor to achieve steady improvement of the economy. To ease these deep-seated contradictions is an endeavor related to the collection, flow, management, and use of funds. Therefore, it remains an important task of Hebei's economic development to raise more funds, use and manage them well, enliven their circulation with all possible means, and facilitate the sustained, stable, and coordinated economic development, with the focus on adjusting the structure of funds and improving their efficiency. Governments and monetary departments at all levels should attach full importance to it.

2. Monetary departments should correctly handle the relationship between monetary work and the economy and fully understand their important responsibility for Hebei's economic development.

The endeavor to improve and develop the economy, of course, cannot be separated from the backing, regulation, control, and support of monetary departments. However, to achieve success in monetary work and raise the efficiency in the use of funds, we should also depend on economic development. The more the economy is developed, the more flourishing the monetary work will be. Therefore, the economy and monetary work share a common fate, are interdependent and interrelated, and cannot be separated from each other. As far as economic construction departments are concerned, they should attach importance to monetary work and firmly rely on monetary organizations. As far as monetary departments are concerned, they should also adhere to the guiding thought of taking economic construction as the central task and gear their work to and serve economic construction. With an attitude of being masters, they should keep the economy in mind, discuss it, participate in it, fully develop their advantage of having many units and quick access to information to suggest ways and means for economic construction, and provide positive assistance and support to it.

3. We should have a good command of the extent of the macroeconomic regulation and control of monetary work to facilitate the unity of the efficiency, growth, and capacity of economic construction.

The major contradiction in this year's economic work lies in how to improve economic efficiency. To make sure that economic efficiency is improved, we should speed up the adjustment of its structure, especially the product mix adjustment. We should note, however, product mix adjustment requires a long time and a long process. Therefore, it is a very important issue to ensure a reasonable development and maintain a certain growth rate while making great efforts to adjust the structure. With the current structure, fairly high economic efficiency cannot be achieved without a reasonable development and growth rate. If a reasonable development and a certain growth rate of the economy cannot be ensured and economic efficiency continues to decline, the adjustment of the structure will be adversely affected. Therefore, in the use of funds, monetary departments must pay attention to having a good command of the extent of the macroeconomic regulation and control. They should, on the one hand, give full support to the adjustment of the structure and, on the other hand, support the reasonable development and certain growth rate of current production in line with the principle of ensuring some essential projects while reducing others. They should both adopt strict measures to restrict the production of unsalable and stockpiled goods and actively support the products that have difficulties at present but promise a turn for the better. They should all the more support the products that are readily marketable, and that can turn out high economic efficiency. At

present, we should consider not only how to achieve unity of efficiency and growth in the current production on the premise that the structure is adjusted but also how to continuously enhance the capacity for economic development in the spirit of structural adjustment. Hebei's sluggish economic development results from the failure in fully developing the potential of the existing fixed assets due to numerous reasons in their structure, scientific and technological advances, and management and also from the insufficient investment in fixed assets and their weak capacity. To change such a situation, monetary departments should, on the one hand, actively support current production through monetary work, a means of regulation and control, to achieve unity in efficiency and growth and, on the other hand, actively raise funds and strive to increase investment to make contributions to enhancing Hebei's capacity for economic development.

4. We should adopt various measures to raise funds from various channels to ensure the smooth progress of production and construction.

Strained supplies of funds have always been a major and very difficult problem affecting Hebei's production and construction over the past few years. Both the endeavor to ensure a reasonable economic development and that to ensure the smooth progress of capital construction and technical transformation involve funds. Governments and economic developments at all levels, banks, and enterprises attached great importance to the work of raising and circulating funds in the past few years and exerted great efforts to work out ways for it. However, due to inaccessibility to information, narrow thinking, and unitary channel, they lacked adequate and flexible methods for raising and circulating funds and even failed to fully use the policies provided by the state. Banks at all levels, of course, hold the important responsibility as the major channels for raising and circulating funds. Some comrades, however, focus their attention on bank loans alone and do not focus adequate attention to the use of funds of other monetary organizations, such as rural and urban credit cooperatives. They do not give sufficient attention to developing the important role of trust and investment companies, communications banks, and insurance companies in raising and circulating funds. They also lack sufficient efforts in raising funds from the society and the masses. The channels for borrowing money from other provinces and other localities are still impeded, and the work to draw loans and donations through foreign governments and to import and borrow money through international monetary organizations have not been truly put on our agenda. In addition, we also lack flexible measures for borrowing funds and sufficient efforts in borrowing funds through such methods as working on consignment, leasing, undertaking small-scale technical transformation measures, issuing bonds, and raising funds from the masses. It is hoped that comrades of governments at all levels, pertinent departments, enterprises, and banks will conscientiously study each and every channel, measure, and

method for raising and circulating funds approved by the state, unblock the channels, and establish friendly ties to fully use the channels that can be used so as to raise more funds for Hebei's production and construction.

To achieve success in raising and circulating funds this year, we should boost the enthusiasm of various quarters. First, banks should play the role as the major channel. They should make great efforts to organize saving deposits to ensure the steady growth of the major source of funds. Meanwhile, they should make active efforts to win state support to increase credit as much as possible. Second, we should give full play to the role of local monetary organizations to borrow and raise more funds. In particular, we should actively develop the role of urban and rural credit cooperatives, international trust and investment companies, communications banks, insurance companies, and other monetary organizations to raise funds as much as possible on the premise that state monetary policies are not violated. Third, we should collect funds from society. We should draw in the idle funds of the masses by issuing enterprise bonds and raising funds from the masses. Township enterprises may allow their workers to invest in the enterprises or encourage the masses to raise funds to resolve their funds shortage. Fourth, monetary and financial departments should cooperate to study some realistic and effective methods for supporting enterprises to bring in funds from the monetary organizations and units outside the province. Fifth, we should make regular contacts extensively with the agents of international monetary organizations, foreign monetary organizations, industrial groups, commercial organizations, and trading companies stationed in Beijing to win foreign funds through various channels. Regarding the projects for which foreign counterparts for cooperation can be found, we should actively bring in funds and technology through joint investment. When conditions permit, we should make active efforts to win loans and donations from foreign governments. Regarding the projects that adopt advanced technology, produce readily marketable products, and create high economic efficiency, we may bravely use foreign export credit and commercial credit.

5. We should enliven the funds currently available and optimize the use of the funds to be increased so that the investment of funds can yield better results.

In carrying out the work concerning funds, we should not only pay attention to the supplies of funds but also emphasize the management and use of funds. To manage well and enliven the use of funds, we should optimize the use of the increased amount of funds and enliven the amount currently available. In view of the strained supply, if the increased amount of funds are not used in the crucial areas, not only will they fail to play their role, but also they will create a new burden. Due to lack of access to information and lack of investigations and study, some localities are still developing ill-considered or duplicated construction projects. We should pay great attention to this. To achieve success in optimizing the use of the increased amount of funds, we should attach



importance to efficiency and results. First, we should ensure key projects and support agriculture and large- and medium-sized enterprises. Second, we should support structural adjustment and ensure some essential projects while reducing others to promote steady economic growth. Third, we should support scientific and technological advances and integrate monetary work with scientific and technological work. Fourth, we should support the effort to enhance the capacity for economic development and ensure the supplies of funds to the "six groups" as urged by the provincial government.

While optimizing the use of increased credit, we should enliven the currently available funds, which is the key. To solve the problem of construction funds shortage, the fundamental way still lies in enlivening the use of funds currently available. Large amounts of funds available means large potential. When the use of available funds are enlivened, not only will the shortage of funds for economic construction be eased, but also tremendous economic efficiency can be created. Otherwise, the burden created by the interest payment will be increased by a large margin, and economic efficiency will be seriously affected. To enliven the use of the available funds, we should emphasize three aspects of work this year. First, in coordination with economic departments' efforts to reduce the stockpile of goods and control production, we should reduce the funds tied up by finished products, goods shipped in transit, and receivable and advance payment for goods. Second, we should make great efforts to reduce deficits, increase profits, and reduce the amount of production funds tied up by deficits. Third, we should make active efforts to clear up "debt chains" to reduce the stagnation of funds. Regarding these three aspects of work, we should organize special bodies, adopt realistic and effective measures, including the formulation of the target responsibility system and the improvement of the mechanisms for encouragement and restriction, and assign tasks to every level, including departments and enterprises, to achieve a great breakthrough in enlivening the use of available funds this year.

6. Governments at all levels should enhance the sense of respect for monetary work and further improve and strengthen leadership over it.

When attending to economic work, governments at all levels should first succeed in the macroregulation and control of the economy. The macroeconomic regulation and control include administrative and economic means, but monetary work is the most direct, most effective, and most important economic lever for macroeconomic regulation and control. Therefore, governments and departments at all levels should enhance their sense of respect for monetary work and attach importance to supporting it. Governments' attaching importance to monetary work means that 1) they should conduct study to learn about monetary work and have the ability to use it to promote economic construction, 2) they should give full play to the role of monetary work as

an economic lever to facilitate structural adjustment and improve efficiency, 3) they should greatly support monetary departments to increase saving deposits so as to expand the sources of funds, 4) they should actively support monetary departments to recover overdue loans and loans due for repayment and strive to enliven the circulation of funds, and 5) they should fully develop the advantages of monetary organizations to collect and borrow money from the entire society.

The vast number of cadres and workers of monetary departments throughout the province worked diligently and made important contributions to economic construction in the past few years. Judging from the general situation, the main aspect of this contingent is good, but it still has many problems, and its political and professional quality is still incompatible with the needs in economic development. A good contingent of monetary workers is indispensable to monetary work success. We should not attach importance to the development of monetary business to the neglect of improving the contingent of monetary workers. The activities to educate, examine, and straighten out monetary departments that began in the second half of last year have entered a stage of examination. Governments at all levels should support monetary departments to strengthen leadership and produce successful activities. During the activities, monetary departments should extensively conduct education on socialism, on opposition to peaceful evolution, on honesty in performing official duties, and on professional ethics to fundamentally improve the political quality of the monetary workers' contingent. They should change work styles and go deep into reality, into enterprises, and into grass-roots units to conduct investigations and study and to solve problems. They should also step up efforts to establish necessary systems for strict supervision and management of themselves and for preventing unhealthy trends and serious and major cases.

#### Qinghai's State-Run Enterprises Reform Achievements

92CF03424 Xining QINGHAI JINGJI BAO in Chinese  
11 Feb 92 p 1

[Report by Yuan Ruilong, "Provincial Financial, Economic Commission Performed 14 Actual Deeds in 1991 To Use Science and Technology as Precursor in Developing Enterprises"]

[Text] In developing large and medium state-run enterprises, the Qinghai Provincial Financial and Economic Commission has paid full attention to developing science and technology to promote technical progress in enterprises. It earnestly performed 14 actual deeds in 1991, and attained distinct results.

1. In the course of implementing guidelines laid down by the conferences of the party Central Committee and the provincial CPC committee, guiding ideology was clearly defined. In adopting various measures and drawing up

the various documents to invigorate large- and medium-sized enterprises, science and technology was developed to promote technical progress in various enterprises, readjust their structure, and raise efficiency.

2. The commission put forward 10 proposals on how to implement the guideline of the national conference on promoting technical progress to help Qinghai's large- and medium-sized enterprises raise their ability in self-improvement, self-development, and promote technical progress.

3. To encourage and speed up development of new products, and help readjust the product mix, the "Measures To Encourage Outstanding New Products in Qinghai" were drafted and later adopted by the governor's administrative meeting.

4. To meet the requirements of the provincial government's "Interim Regulations on Further Invigorating State-Run Industrial Enterprises," the commission drew up the "Measures for Technical Innovation, Interest Subsidies and Fund Management in Qinghai Province," and provided interest subsidies to support major technical innovations in the province. The commission arranged to help 46 projects, allocated 12.5 million yuan, and extended discount loans totaling 73.6 million yuan.

5. During 1991, the commission planned to develop 120 new products, actually developed 130 new products and introduced 20 new technologies. The commission created conditions for manufacturing some new products in quantity, and putting them on the market. Some of the new products were included in the 12 nationwide "top-notch" products selected by the National Conference for Technical Progress.

6. The commission developed advantageous natural resources in Qinghai based on the needs of the State Council Production Office. With the support of relevant departments, the commission invested a total of 270 million yuan to help develop a total of 283 technical innovations in 12 batches of which major provincial-level projects accounted for 26.3 percent of the total figure. The commission completed a total of 180 technical innovation projects with a total investment of 250 million yuan. It is possible to use these innovations to increase production value by 160 million yuan, and boost profits and revenue by 20 million yuan.

7. In close coordination with various relevant departments, the commission enthusiastically raised funds and increased investment in technical development. During 1991, the commission extended loans totaling 19.16 million yuan for technical development, a 110 percent increase over 1990. The commission raised 3.5 million yuan for scientific and technical developments, and put all the 34 newly developed major projects into active use.

8. The commission formulated the "Guideline on Developing Technical Innovations in Combining Retrenchment in Fixed Assets With Control of Bank Credits";

and earnestly carried out its work in clearing "chain debts" in the course of promoting technical development. The commission helped clear off payments in arrears for 25 technical innovation projects, raised 26.8 million yuan to solve the problem of delinquent payments, and fund shortage for the development of technical innovation.

9. The commission strengthened scientific management, improved product quality, and carried out various activities in enterprises to "increase the percentage of products that pass all tests at first inspection, and reduce losses by turning out less sub-standard products." The commission helped popularize education, strengthened management at the basic level, strictly carried out technical supervision, and tightened quality control. With the rate of stabilized production in the province reaching 94.2 percent, the rate of outstanding products reaching 22.75 percent on average, and the rate of products which passed inspection during all spot checks reaching 74.89 percent in the province, it achieved its goal set for the "year of excellent quality, more varieties and high efficiency in production."

10. With emphasis on running large- and medium-sized enterprises well, the commission paid attention to identifying the "three batches"—a batch of 31 technically progressive major enterprises, a batch of 15 well-manufactured key products, and a batch of 11 well-developed major technologies. The commission helped and guided them to carry out technical innovation, develop science and technology, import advanced technologies, tackle technical problems, and develop new products. Projects for technical innovations in 18 enterprises were reviewed and approved. Major innovations already started in developing products in seven categories, and introducing technologies in four categories.

11. Summing up the work of carrying out technical innovations during the Seventh Five-Year Plan, the commission completed a total of 1,200 technical innovations, made investments totaling 1.04 billion yuan, and provided a basis for working out the guideline in developing technical innovations for the Eighth Five-Year Plan.

12. Following the principle of stressing the main points, giving full play to Qinghai's dominant position, controlling output, and readjusting the structure, the commission studied and formulated the "General Plan for the Development of Key Technical Innovations in Qinghai Province During the Eighth Five-Year Plan," decided to develop 63 major technical innovation projects, and invested a total of 1.56 billion yuan during this period. In 1991, it reviewed and approved 38 projects under this "Plan," and made a total investment of 570 million yuan. The commission had already listed 16 projects in the technical innovation plan for fiscal year 1991, and had begun to develop such projects.

13. The commission started to carry out overall quality control work for the first time in rural enterprises in the

province, coordinated with the relevant departments to promulgate the "Quality Control Measures for Industrial Products Manufactured by Rural Enterprises in Qinghai Province", and guided rural enterprises to strengthen scientific management.

14. The commission discussed and formulated 1992 objectives to carry out structural readjustment, and raise work efficiency, to closely link technical developments, technology transfer, and technical innovations, to concentrate on products with higher technical standards and greater added value, to form an integrated system for the procurement of supplies, production and marketing, to streamline production through associated operation, and to gradually improve integral coordination in an overall manner.

## LABOR

### Peasants Shift Toward Industrial Work Force

92CE01354 Beijing JINGJI LILUN YU JINGJI  
GUANLI [ECONOMIC THEORY AND BUSINESS  
MANAGEMENT] in Chinese No. 1, 28 Jan 92, pp 8-14

[Article by Chinese Agricultural Labor Transfer Task Force Members Xie Xiaoling (6200 2556 0407), Keng Dechang (1649 1795 2490), Lan Shihang (4135 0013 5328), Jiang Xiaopei (5592 1321 1014), Wang Qunhui (3769 3028 2385), and Guo Xinshuang (6753 2450 7175): "Trends and Responses to Trends in the Shift of China's Agricultural Manpower During the 1990's"]

[Text] Shift in agricultural manpower refers mostly to a shift of the agricultural work force into secondary and tertiary rural industries and into cities and towns, etc. To a very large degree, the shift in agricultural manpower indicates the extent of a country's industrialization and modernization. China has a large surplus agricultural work force whose shift will pose socioeconomic problems that we will have to watch for a fairly long time to come. The present agricultural manpower shift consists mostly of a shift locally. The various conflicts encountered in the process of this shift betoken the serious situation to be faced during the 1990's. They remind us that we should fully understand both the long term and the daunting nature of this task. The shift of agricultural manpower into forestry, animal husbandry, and the fishing industry represents a rational use of manpower, which may be deemed a main avenue for the solution of challenges in a situation in which pressures to make a shift are substantial. Performance of this task is a huge systems engineering project that requires not only support from macroeconomic policies, but also local government and central government department coordination to make maximum use of initiative in all regards, to widen avenues, to do overall planning, and to wage coordinated warfare.

### 1. Current Status of the Shift in China's Agricultural Manpower

(1) Scale, Speed, and Character of the Shift of Agricultural Manpower Into Secondary and Tertiary Rural Industries During the Past 11 Years.

In 1989, China rural work force totaled 409.39 million, up 103.01 million from 1978. This represented an annual 9,365,000 increase for an annual 2.7 percent rate of increase. Distribution of rural manpower by industry was as follows: 324.41 million in primary industries, 49.53 million more than in 1978. Primary industries absorbed a work force of 4,303,000 annually in a 1.52 percent rate of increase, 47.58 million in secondary industries, up 27.94 million from 1978, secondary industries absorbing a work force of 2.54 million annually in an 8.4 percent rate of increase, and 37.4 million in tertiary industries, up 25.54 million from 1978 in an average annual 2,322,000 increase for an 11 percent rate of increase. During the 11 year period, growth of rural tertiary industries was fastest followed by secondary industries. During the 11 years, agricultural manpower totaling 53.48 million shifted into secondary and tertiary rural industries.

The shift of agricultural manpower into secondary and tertiary rural industries varied from one year to another during the 11 years. The years 1979 - 1981 marked the preparatory stage for the shift of the work force. A bumper harvest in agriculture for four consecutive years readied the material conditions and the funds needed for a shift in agricultural manpower. In 1982, the pace of the shift began to quicken, peaking in 1984. Statistics show that during the three year period 1982 - 1984, nonagricultural manpower in rural villages increased by 21.96 million in an average annual 16.8 percent speed of increase. During the years 1985-1988, the shift began to slow, averaging an annual 10 percent speed of increase. In 1989, the shift largely receded, a reverse shift occurring in quite a few places.

Since the rural economy of various areas, particularly development of township and town enterprises, was uneven, the scale and speed of the agricultural manpower shift also varied from place to place. Places in which the amount of shift was greatest included the east coast and the suburbs of large cities. While accumulating local surplus manpower, these areas also absorbed manpower from elsewhere. An example was the Zhu Jiang Delta of Guangdong, which absorbed nearly 1 million workers from elsewhere, thanks to the rapid development of its township and town enterprises. The scale and speed of the rural manpower shift in the central part of China was second to that of the coastal area. In western China, the agricultural labor productivity rate is low, the commodity economy is not well developed, and, in addition, transportation is not readily available, information does not circulate quickly, and the quality of the work force is poor. Although this part of the country has a smaller population than the eastern and central parts of the country, the rural work force has few employment



opportunities. Consequently, much of it clings to the limited amount of cultivated land. Surplus manpower is high.

### (2) Peasant Workers Who Work in Cities and Towns Year Round

With the intensification of city and rural economic system reform and development of the commodity economy, economic ties between cities and the countryside have become increasingly close. On the one hand, some of the skilled craftsmen and better quality members of the rural work force do all possible to find ways of making a living in cities, while on the other hand the shortage of workers in city textile industries, chemical industries, construction industries, and environmental protection is fairly universal. Peasant workers in good physical condition can bear hardships and stand hard work. They are tractable and work for low compensation, thus, the number of workers employed outside of plan in units under ownership of the whole people has become larger and larger in recent years. At the same time, the development of tertiary urban industries also absorbed a large number of the rural work force that entered the city to work as domestic servants, open restaurants, become tailors, make furniture, operate individual businesses, or roam the streets and lanes buying up junk, repairing shoes, and fluffing cotton (for padded garments and quilts), etc. They played a role in remedying a need in urban tertiary industries, easing serious shortages in urban tertiary industries. Relevant statistical data show that of the country's 50 million floating population, peasants holding temporary jobs and doing contract work, who have fairly steady work and have lived in one place for a fairly long time, as well as those who run individual businesses or work in the service trades and such urban tertiary industries number approximately 25 million.

### (3) The Shift From Agricultural to Nonagricultural Status During the Past 11 Years

The shift of the rural population into cities and towns also entered a period of rapid development during the past 11 years. As a result of the vigorous development of the planned commodity economy, and the implementation of various policies of the party and government, personnel previously sent down to rural villages have now returned to the cities in a stream. In addition was a sensible readjustment of household transfer policies. Units concerned made regulations permitting the rural families of technically certified intellectuals of middle rank and above, staff members and workers from remote and hardship areas, and coal miners to take up residence in cities. Policies were also promulgated permitting peasants who provided their own rations to establish households in market towns. Quite a few jurisdictions also liberalized policies, some of them establishing new precedents. As a result, approximately 50 million people shifted from an agricultural to a nonagricultural status during the past 11 years. This included approximately 20 million members of the work force. Among this work

force of 20 million whose status had changed from agricultural to nonagricultural, most were people enrolled as workers or students. Second was members of the work force who entered the cities as a result of having had their farmland requisitioned or because of the policy implementation. The people in the above three categories, i.e., the 53.48 million members of the agricultural work force who shifted into rural secondary and tertiary industries locally, the 20 million members of the work force who changed from an agricultural to a non-agricultural status, and the 25 million peasant workers total approximately 100 million. This means that during the past 11 years, approximately 100 million members of the agricultural work force have transferred into secondary and tertiary rural industries and into cities and towns. This represents one-fourth of rural manpower, and nearly one-fifth of the total social manpower.

### 2. Analysis of the Trend Toward a Shift in China's Agricultural Manpower During the 1990's

#### (1) Forecast for Agricultural Manpower Supply and Demand During the Next Decade

The shift in China's agricultural manpower may be roughly depicted as follows: a shift of 100 million during the 1980, another 100 million remaining; and a net increase of 100 million during the 1990's, meaning 100 million is available for transfer, a surplus of approximately 100 million still remaining.

#### (1) Labor Supply

Net increase in manpower. During the 1990's, the number of people coming of age to enter the rural work force will decline to a total of 196.66 million as follows: a population of 99.72 million coming of age to enter the work force during the Eighth Five-Year Plan, and a population of 96.94 million coming of age to enter the work force during the Ninth Five-Year Plan.

The population reaching retirement age during the same period will increase to a total of 92.2 million. This includes 46.32 million during the Eighth Five-Year Plan and 45.9 million during the Ninth Five-Year Plan.

During the 1990's, the rate of net increase in China's work force will continue to decline by 53.42 million during the Eighth Five-Year Plan, and by 51.04 million during the Ninth Five-Year Plan for a total net increase of 104.46 million. After deducting the 8.73 million net increase in urban manpower, the net increase in rural manpower will stand at 97.53 million.

Current Surplus Work Force. Between 1979 and 1988, the rural work force increased 94.29 million in an annual average 9.43 million increase. During the same period, the number of people employed in township and town enterprises increased 67.19 million in an annual average 6.72 million increase. When this is added to the development of forestry, animal husbandry, sideline occupations, and the fishing industry, and the manpower absorbed into cities and towns, it is estimated that the



manpower thus employed equals the new increase in rural population during the past 10 years. This means that despite our very great efforts, no marked change has taken place in the surplus work force engaged in farming, which is estimated as still being approximately 100 million. With the spread of agricultural science and technology and development of the economies of scale, further rise in the agricultural labor productivity rate, and steady reduction in the amount of cultivated land, the trend is still toward gradual increase in the amount of surplus labor.

*Rural Work Force Return to the Countryside.* In 1989, the shift of agricultural manpower to other occupations slowed markedly. Much of the agricultural manpower that had already transferred to other occupations returned to agricultural production once again. Approximately 2 million people were dismissed from city and town employment plans, and more than 3 million peasants employed in township and town enterprises returned to farming. In addition, a number of peasants employed as temporary workers will return to rural villages during 1992. All in all, approximately 10 million people will return to the countryside.

It is estimated that during the 1990's, approximately 200 million members of the rural work force included in the totals for the above three categories (the net increase, the current surplus, and the returned rural work force) will have to be placed in jobs.

## (2) Labor Demand

### Demand for Labor During the Eighth Five-Year Plan

Amount of labor to be taken into township and town enterprises. For each 1 percent increase in output value, the number of people employed in township and town enterprises increases 0.44 percent. At this rate, at a between 10 and 15 percent annual increase in the output value of township and town enterprises during the Eighth Five-Year Plan, and assuming a modest increase in the labor productivity rate, between 4 and 6 million people each year will become employed in township and town enterprises. This means the employment of between 20 and 30 million people in this way during the 5 year plan period.

Numbers of people who have changed from an agricultural to a non-agricultural status. Cities institution of planned control over the population changing from an agricultural to a non-agricultural status will hold at below 3 million the number of people changing from an agricultural to a non-agricultural status, which has been running at an average 4.8 million per year in recent years. The total number will be held within 15 million during the five year plan period. The number of members of the work force included in this figure will be held below 2 million, thereby holding the total number within 10 million during the five year plan period.

Urban peasant workers. Once improvement of the economic environment and rectification of the economic

order is completed, a slight increase may occur in the number of urban peasant workers. Economic development, and peasants entering cities and towns to do business and to provide services to urban residents may increase somewhat the number of non-resident peasants. Further increase in the speed of state construction of basic facilities including energy, communications and transportation, and raw and processed materials, and particularly the development of extraction industries such as coal mining, mines containing ores used in metallurgical processes, and petroleum recovery will increase the demand for rural manpower. These endeavors may soak up some of the work force, but the number will not be very large.

The foregoing shows it will be possible to absorb about 40 million members of the work force into non-agricultural industries during the Eighth Five-Year Plan. With the completion of the task of improving the economic environment and rectifying the economic order during the Ninth Five-Year Plan, China's economy will take a normal path of development, and the speed of development will also be faster than during the Eighth Five-Year Plan. The ability of non-agricultural industries to assimilate the agricultural work force will also increase, but the numbers will not be very large. According to a systems emulation model that the Rural Institute of the Chinese Academy of Social Sciences uses, calculations employing the trend extension analysis method and linear regression analysis show the following numbers of workers will be needed in 2000. For agriculture, between 200 million and 220 million; for rural secondary industries, about 100 million; and for tertiary industries between 48 million and 70 million. Total demand will be for about 400 million. This will mean a surplus agricultural manpower supply of about 100 million. So the situation remains grim.

## (2) Trend of Shift in China's Agricultural Manpower During the 1990's

A comprehensive analysis of the foregoing factors in all regards shows the trend in the shift of China's agricultural manpower during the 1990's to be as follows. In terms of speed, there will be gradual movement toward a normal shift. The shift will be slower during the Eighth Five-Year Plan than it was during the Seventh Five-Year Plan. With completion of the task of improving the economic environment and rectifying the economic order during the Ninth Five-Year Plan, China's economy will take a path of sustained, steady, and coordinated development. As economic development accelerates, the shift in agricultural manpower will also be faster than during the Eighth Five-Year Plan, nevertheless, only a moderate shift can be sustained. The speed will not be as great as during the latter part of the Sixth Five-Year Plan and the early stage of the Seventh Five-Year Plan.

The shift will be mostly dispersed in form, but with a moderate amount of concentrated shifting taking place.

In order to avoid large amounts of agricultural manpower flooding into cities, we have adopted a policy of leaving the soil without leaving the village, the shifts taking place locally in rural villages. Of course, it is impossible to be categorical about this matter. A too greatly dispersed shift will be bound to produce environmental pollution, a decentralization of the industrial pattern, and too large an investment in roads, pipelines, electric power cables, and transportation. This will lower the social benefits and economic returns obtained from the shift. In order to avoid these problems, use resources effectively, and make the most of the parallel effect of industry, township and town enterprises must be guided toward concentrating more in areas where the investment climate is good in order to promote a more rational industrial layout for the gradual formation in rural areas of small industrial areas and new market towns. In this regard, we must absorb the lessons of forming a dual economic structure acquired during the past 30 years of industrialization. We must seize opportunities for developing nonagricultural industries in rural villages during the 1990's, making the goal of rural industrialization one with the goal of urbanizing and creating towns in rural villages.

From the standpoint of the transfer mechanism, the obstacles of the traditional system must be demolished. While improving overall planning and building a mechanism for managing the labor market, we must demolish the pattern whereby urban and rural manpower are walled off from each other. A decade of reform has wrought profound changes in China's rural villages. Following implementation of the household output-linked contracting system, peasants broke free of the restraints that the old system imposed to establish their socio-economic position as commodity producers. Following opening to the outside world and enlivening of the domestic economy, the separate city and countryside pattern began to crumble. Urban life holds a powerful attraction for the peasants. An extremely great gap exists in the marginal income of manpower in non-agricultural industries as compared with agriculture. The huge difference in these comparative economic returns become a dynamo for peasant movement into non-agricultural pursuits, or movement into cities and towns. It propels a rapid flow of rural manpower. During the spring of 1988 and for a period of time thereafter, a wave of peasant workers on the move occurred several times. Granted that this movement was mindless to a certain extent, its occurrence was also inevitable.

### **(3) Major Challenges To Be Faced During the Eighth Five-Year Plan in the Shift of Rural Manpower**

#### **(1) Further intensification of the Conflict Between a Supply of Rural Manpower That Is Greater Than Demand**

As was said earlier, during the Eighth Five-Year Plan, the demand for rural manpower in cities and towns, and in secondary and tertiary rural industries will be on the order of 40 million people, a number generally equal to

or slightly lower than the surplus rural manpower during this period. Surplus manpower in the farming industry, in particular, will increase rather than decrease; pressures generated by surplus rural manpower will increase further.

#### **(2) Some Factors Inhibiting Rural Manpower Shift During the Eighth Five-Year Plan**

First, manpower shift will be limited by the development of agricultural production. China's agriculture has been at a standstill for several years in a row. Despite the fine harvest of the past two years, the trend is still toward a decrease in the amount of grain per capita. In addition, for the past several years basic farmland water conservancy facilities, the foundation for agriculture, and the stamina of agriculture have been weak. During the next few years, China will face a peak birth rate period. The agricultural problem, and particularly the grain problem, will hold first place for a long time to come. These factors limit both the size and the speed of shift in rural manpower.

Second, manpower shift will be limited by national economic growth. In China, urbanization lags seriously behind industrialization. The more than 50 million people who changed their status from agricultural to nonagricultural and entered cities and towns during the past decade have created new pressures on grain supply, financial subsidies, housing, transportation, education, and employment. Additionally, some basic industries such as energy, raw and processed materials, communications, and transportation have become bottlenecks in development of the national economy. Too many processing industries cannot be supported, the development of township and town enterprises has run into some difficulties and has been limited to a certain extent, and the ability to absorb manpower is lower than during the Seventh Five-Year Plan.

Third, manpower shift will be limited by readjustment policies. China will be in a period of improving the economic environment and rectifying the economic order during the Eighth Five-Year Plan. Cutbacks in the amount of investment in fixed assets, readjustment of the industrial structure, intensification of enterprise reform, etc., will increase urban employment difficulties. During the latter part of the Seventh Five-Year Plan, an upturn occurred in the city and town unemployment rate, and the number of redundant personnel in enterprises increased. In order to ease the city and town employment problem, cities will control the hiring of rural labor, and control the amount of rural manpower that enters cities to work and to change their status from agricultural to nonagricultural.

(3) The problem of the educational level of rural manpower not meeting needs in development of a commodity economy. More than 200 million people in China are illiterate or semi-illiterate, of the rural employed, 35.9 percent are illiterate or semi-illiterate, averaging 4.8 years of education, which is less than the

average for agricultural manpower in Japan in 1907. Also noteworthy is the present rapid drop in the educational level of China's population. The number of primary school graduates continuing their education nationwide declined from 87.7 percent in 1978 to 69.3 percent in 1988, and the number of junior middle school graduates continuing their education is only between 30 and 40 percent. In rural villages, the percentage is far below this average. In 1983, only 78.8 percent of rural children of school age went to school, and the school drop-out rate was between 30 and 40 percent. Only 30 percent of primary school graduates met standards. The educational level of the rural work force is low, their ideas are outmoded, their thinking is conservative, and they are content with the status quo, all of which makes for difficulties in the mobility of rural labor. Even if some of them could leave agriculture, their low educational level, their lack of work skills, their poor social skills, and their lack of understanding of a commodity economy would limit their ability to get ahead and to change to a nonagricultural occupation. Some of the manpower that did make the change was unable to maintain a firm footing because of the competitive pressures against which only the fittest survived. They had no choice but to return to agriculture.

(4) The conflict between rational mobility of the work force and the traditional system. Rational mobility of the work force is an inevitable outgrowth of the development of a commodity economy. However, China's traditional administrative system is an outgrowth of a product economy and a natural economy. The two are contradictory. This contradiction is expressed largely in the traditional management system's obstruction of the natural flow of manpower. Things like the walling off of one region from another and the dividing up of sectors create obstacles to the movement of manpower. Differences between the administrative systems of cities and the countryside make an interflow of manpower between the two difficult. The rural community economy administrative system frequently precludes the rational movement of the more highly skilled work force. The result of these contradictions is to make formation of manpower markets difficult, the arousal of workers initiative difficult, and an increase in the labor productivity rate and economic returns difficult.

#### **Responses to and Recommendations About the Shift in Agricultural Manpower During the 1990's**

##### **First, Improved Planning and Guidance for Agricultural Manpower That Takes All Factors Into Account**

The agricultural manpower shift problem is essentially nothing more than a rural employment problem. It has a bearing on the coordinated growth of the economy and the stable development of society. It requires a high degree of attention, careful planning, and thorough arrangements for job placement. In development of a planned commodity economy today, the pattern of separation between cities and the countryside must give way

to a pattern of interaction between cities and the countryside. Labor management must also keep pace. The former situation in which only the employment problems of cities and towns were solved must gradually give way to complete management of urban and rural employment. In addition, rural manpower's step-by-step, planned transfer must be ensured organizationally. Centralized management of China's rural manpower is lacking today. Several departments concerned with a separate portion of the problem, each of them limited in different way, can readily give rise to a situation in which government speaks with many different voices. This hurts the basis of consistent procedures for shifting manpower. It is suggested that several departments put movement of agricultural manpower on a path of planned management. Overall placement, kinds of employment, and increase in the size of the non-agricultural work force should be regulated by plan, making them an organic part of the normal operation of the macroeconomy.

##### **Second, Tailored Guidance on Agricultural Manpower Shifts in Different Areas**

Natural conditions are good and the commodity economy is better developed along China's east coast, which is a forward bastion for economic and technological exchanges with the outside world. With the rapid development of township and town enterprises and an externally oriented economy, and agriculture's own innovative operations there, the local agricultural manpower has greater opportunities for employment. Today, the eastern part of the country is facing an influx of large amounts of manpower from elsewhere. The priority task of the moment is establishing and perfecting labor markets while simultaneously actively readjusting and consolidating township and town enterprises so that they develop in a sustained, steady, and healthy way.

In the western part of China, the economy is relatively backward by comparison. Many areas have yet to free themselves from the fetters of a natural economy. Although surplus manpower is also considerable in absolute terms, the work force has long been hemmed in by the natural economy. It lacks a commodity economy outlook and an understanding of competition. The quality of the work force is fairly poor; it has little understanding of employment, and its ability to find work elsewhere is fairly low. For these reasons, no large scale outward shift of manpower will occur. During the 1990's, the emphasis here will be on the development of agricultural sideline production, and the suiting of general methods to specific circumstances for the development of local resources in order to improve production conditions and living conditions in the area. There will also be a further acceleration of the change from a natural and semi-natural economy to a planned commodity economy, and a transition from traditional agriculture to modern agriculture. In this way, the local economy and development of a commodity economy can go along in tandem, advancing each other and



stimulating each other. Places having requisite conditions may organize the export of some manpower both to reduce pressures from surplus manpower and to widen workers' knowledge and skills for improvement of worker quality. Then, after they return to their home area, they will be able to serve as a vital new force for invigorating the local economy.

The situation in central China lies between that of eastern and western China. In this region, population is large relative to the amount of available land, but neither township and town enterprises nor the urban economy are as well developed as in eastern China. Thus, there is a large amount of surplus agricultural manpower, making this a key region for future planning to shift the work force into nonagricultural occupations. The peasant worker tide that occurred following the lunar New Year in 1989 originated mostly in inland provinces having a large population like Sichuan, Henan, Hubei, Shaanxi, and Anhui. This demonstrates the extreme lack of employment opportunities in central China, and the peasants' strong desire to go elsewhere to earn a living and become rich. Comprehensive methods must be adopted to deal with the agricultural manpower shift in central China as follows: (1) Organize and guide the peasants in moving ahead with agricultural production pervasively and in multiple ways to develop rural economic diversification that makes the rural economy prosper further, promoting a specialized division of labor in production and the founding of new industries; (2) make fullest use of the advantages that abundant labor resources provide, using labor accumulation instead of capital accumulation for greater capital construction of farmland water conservancy facilities to improve agricultural production conditions, and to promote comprehensive development of the rural economy; (3) use the development of domestic and foreign labor markets dealing in manpower as a vanguard in moving agricultural manpower out of local areas in an organized and orderly fashion to take part in the economic cycle of the eastern and western parts of the country; use local resources to develop township and town enterprises and rural secondary and tertiary industries.

### Third, Pertinent Policies

(1) More should be done to make more consistent policies for the transfer of agricultural manpower. Lack of consistency in manpower policies sometimes results in the mobilization of large numbers of manpower for movement elsewhere while limiting the outward flow of agricultural manpower at other times, or it encourages agricultural manpower in one locale to go elsewhere to find job opportunities while other areas do all possible to prevent the same thing. Not only does this create a mindless movement of agricultural manpower, but it can easily throw into confusion the normal development of the economy, and it is also bad for social tranquility and unity.

(2) Adhere to the unchanging policies set by the central government for the development of township and town

enterprises. For a long time to come, township and town enterprises will be an important vector for the transfer of agricultural manpower that will play an indispensable role in increasing rural employment and improving the peasants' standard of living. Better macromanagement and planned guidance of township and town enterprises, and rational readjustment of the kinds of township and town enterprises should be used as means to improve the administration of township and town enterprises, to intensify reform, to move ahead with technological transformation, and to improve quality so that township and town enterprises develop healthily, and continue to function in increasing employment and soaking up manpower.

(3) Formulation of policies to increase investment in agriculture. Comprehensive development of agriculture, transformation of medium- and low-yield fields, and the building of more basic facilities for agriculture require not only an investment of manpower, but an investment of money and allocation of attendant means of production as well. It is necessary to draw up policies for the raising of capital through various means, and it is particularly necessary to perfect gradually various policies for collective and peasant household investment in agriculture. Examples might include a tax-exemption policy for a period of time (10 to 15 years) for agricultural development, following the principle of "benefits going to those who develop run agricultural enterprises, permitting peasants to contract for the use of state or collectively owned barren mountains and barren slopes other than those retained for their own use; and adoption of counterpart funding, the state, collectives, and beneficiaries each putting up a portion of needed funds."

(4) Founding and perfection of a labor accumulation system. Some jurisdictions have provided quite a few fine experiences in this regard. Examples are as follows: (1) Base figure final accounting accumulations. By this is meant determining the base figure for manpower that a township or village is to provide each year, those found to have exceeded the base figure in the year-end accounting receiving a cash award, and those who have fallen short paying a penalty. (2) Labor resources share participation accumulations, collectives or individuals taking the lead, everyone investing in the accumulation of labor with shares being apportioned centrally. Once established, returns are divided according to shares held. (3) Accumulations in which the amount of labor is set on the basis of benefit received, those benefitting investing labor; those benefitting more investing more labor; and those benefitting less investing less labor. (4) Withholding fund accumulations in which labor accumulations serve as a major component in collective withholdings. Labor is assigned a monetary value, those showing an excess in year-end accounting being able to withdraw money and those showing a shortfall being required to pay in.

(5) Respect for the peasants' interests and desires, matching goals with the peasants' interests. In undertaking labor accumulations, developmental agriculture,

or centralized rural services, the peasants' voice must be heeded, and a finger kept on the peasants' pulse to find the optimum point of convergence between government actions and peasants' interests. In no case may mandatory orders be issued or one's own wishes be followed without regard for local conditions and the degree of general peasant acceptance. Biting ahead roughshod in the practice of formalism. Striving for real results, and concern for the people's property and energies must be the watchword so that the peasant's interest in working will continue unabated for a long time.

#### **Fourth, Good Performance in Associated Management in All Regards.**

##### **(1) Improvement of education and training to raise the quality of agricultural manpower.**

A substantial amount of the manpower in China's rural villages is of poor quality. Aside from two hands and a body, workers have little education or special skills. They find it difficult to shed poverty and become prosperous in rural villages, and when they leave the villages to work elsewhere, they come up against walls at every turn. These workers must be provided with education to eradicate illiteracy, or fairly elementary general education. They must be technically trained to increase their ability to become prosperous locally and to reduce the psychological barriers and the technical barriers to their transfer into nonagricultural jobs.

##### **(2) Strict control of rural population growth.**

Firm grip must be taken on the key task of planned parenthood in rural villages. Following institution of the family output-related contract responsibility system in rural areas, a change occurred in families' needs for children.

No longer were the peasants purely laborers, they were also independent operators the size of whose family had a direct bearing on their earnings and their standard of living. Thus some families wanted to have more children and more male children. Under these new circumstances, the former control methods were no longer effective. Births in excess of family planning norms became common, making population control difficult. In some backward areas, and in minority nationality areas, planned parenthood was even weaker; thus, a vicious cycle came about in which "the poorer the family, the more children it had, and the more children it had, the poorer it became." Planned parenthood work must be intensified in a planned way. First is active promotion of planned parenthood norm controls. Since household registration control will not work, reliance must be placed on the joint efforts of all sectors of society—health, civil government, public security, and industrial and commercial control units—to effect common control. Second, planned parenthood is a basic national policy in China that all jurisdictions and all peoples throughout the country must enforce unswervingly. Third, strict control of population growth will pose a genuine hardship for certain people in rural areas,

therefore, a second pregnancy may be approved after a space of several years, but this practice must be strictly controlled. Multiple births and early births must be strictly guarded against.

##### **(3) Gradual building of a rural social security system.**

Rural economic system reform has greatly spurred the development of productivity, but at the same time it has demolished the former social security network, which consisted mostly of collective security. Changes in the rural industrial structure and manpower structure, reduced family size, and especially the "4-2-1" family structure, which planned parenthood has engendered, has made the problem of care of the aged in rural villages more prominent than ever. Building of a rural social security system, particularly insuring care of the aged must become a major strategic goal of rural social development.

##### **(4) Implementation of a rural small city and town development policy in which the fostering of key cities and towns is paramount.**

The urban development policy of "controlling the size of large cities, rational development of medium size cities, and active development of small cities" should continue. Small cities and towns are hubs for interchanges between cities and the countryside. They are a buffer zone between cities and rural villages. Development of small cities and towns helps ease urban pressures. It also avoids the lowering of economic returns, and increase in environmental pollution resulting from the excessive scattering of agricultural manpower. In the future development of township and town enterprises, a series of actions must be taken to concentrate them more. For example, disallowing the operation of factories in other than plan areas; requiring relocation of plants when major technological transformation is to be undertaken; moving plants to rural areas where secondary and tertiary industries are concentrated; and encouraging the families of township and town enterprise staff members and workers living in developed areas to live where the township and town enterprise is located. Tax collection and tax rates should be used for active promotion of the development and building of small cities and towns.

## **SOCIAL**

### **Criminal Activities in Petroleum Industry Reported**

92CM02244 Beijing FAZHI RIBAO in Chinese  
12 Feb 92 p 3

[Article by Shen Shucheng: "Characteristics, Solution to Crimes of Sabotaging Oil Production"]

[Excerpt] [passage omitted] The Central China Oil Field is a large state-run enterprise which straddles 12 counties and districts in six prefectures and cities of Henan and

Shandong. Here each year the oil field's economic losses are nearly 100 million yuan due to criminal activities and public security cases.

**Frenzied looting** In production areas of the Central China Oil Field, cases of looting materials from the oil field often occur, and is especially serious when the oil field drilling teams move. Some lawless elements use all kinds of pretexts to create disturbances, and loot production materials at the oil field.

**Rampant criminal activities of "stealing four things"** In the first front of oil field production, the criminal activities of "stealing four things" (stealing oil, gas, electricity, and materials) are very prominent. Criminals steal everything, from oil, gas, electricity to oil field materials. With regard to the criminal activities of stealing crude oil, some conduct one-person operations; some operate in groups, some use bicycles or sidecar motorcycles, some use tractors or trucks, some carry out their operations in broad daylight, and some use covert means to steal. The attitude is very arrogant. Recently, the public security office at the oil field caught five thieves who had stolen over 110 tons of crude oil in a few short days. At one oil well, about a hundred wires, looking like a spider web, are connected to one electric motor. In an even worse case, one criminal installed nine transformers by himself to steal electricity from high-voltage lines of the oil field, and then supplied the electricity to four villages for a fee. In three years, he stole over 4 million kilowatts of electricity in all. Criminals who steal gas do not consider the consequences. They openly fill their gas tanks at oil wells in a forcible manner, or connect hidden tubes to the gas pipelines at the oil field. To get gas they drill holes on hundreds of kilometers of main gas pipelines of the state, causing fires and explosions. To sell scrap copper for money, some criminals cut off hundreds of meters of power transmission lines. To steal a few screws to be sold as scrap iron, some criminals even brought down oil derricks worth several million yuan and totally damage them so that they will be scrapped.

**Illegal purchasing and reselling of oil field materials** Lawless elements illegally purchase and resell large quantities of oil field materials to make huge profits, and such criminal activities are increasing daily.

Since May 1990, the public security office of the Central China Oil Field cracked over 120 cases of illegal purchasing and reselling of oil field materials of various categories. Since 1987 in one city, an oil and chemicals factory bought over 200 tons of oil-field drilling mud substance at low prices from lawless persons, with full knowledge that the materials were stolen goods. The factory then re-packaged the material, put on the label of the factory's brand name, and resold it to the oil field at a high price. The factory made huge profits, but the oil field suffered economic losses of over 2.4 million yuan.

**Insider-outsider collusion in joint criminal operations** Some criminals use methods of giving small favors,

money and bribery to win over, and induce corruption among oil field employees to facilitate criminal activities. In May 1991, the public security office of the Central China Oil Field caught a gang of thieves with insider connections. With the help of three oil field employees, criminals used the opportunity of purchasing oil residue and light oil, by using the methods of building hidden compartments in the large tanks on the oil tankers, of taking more and paying less, and of using a small tank for weighing but using a large tank to carry oil, they stole over 100 tons of light oil and obtained 500,000 yuan of ill-gotten wealth.

**Brutal reprisals** In the process of trying to crack cases of oil field sabotage, the public security officers at the oil field are often assaulted by criminals in acts of reprisals. In one case, public security officers at the oil field arrested three thieves, but then they were encircled, attacked and beaten, for as long as two and a half hours, by over 100 local villagers incited by the criminals. Some bad elements even use home-made handguns and cannons to threaten and attack public security officers in acts of frenzied reprisal. [passage omitted]

### Increased Delinquency of Vocational School Students

92CM02104 Shanghai SHEHUI/SOCIETY/  
in Chinese No 84, 20 Jun 92 pp 32-33

[Article by Wang Zhongshui (3769 0112 3055): "Troubles at the Time of Transition in Human Life: Thoughts on Crime Among Students at Vocational and Technical Schools"]

[Excerpts] In the last few years, the number of students at vocational and technical schools who commit crimes has shown an obvious increasing trend. According to preliminary estimates, this kind of student now accounts for more than 10 percent of young people who break laws and commit crimes. School leaders and teachers are alarmed about this. [passage omitted]

According to our understanding, the reasons vocational and technical school students take the path of crime are more or less as follows.

The innate endowments of the students are relatively poor. According to teachers at technical schools, after students graduate from junior high school they must then go through several cullings. First, special schools take the pick of the students. After that, the better students are enrolled in academic secondary schools, and then the two-year specialized schools enroll their students. Vocational and technical schools must enroll their students from among those left over, after being passed over again and again by others. The academic records and behavior of most of these students is less than ideal, and some of them are deficient in both areas. They enter technical school just to "get something to eat," without the commitment or psychological preparation to struggle for advancement. If we want to cause these students to make a great change in their outlook, then we need to do



a great deal of counseling work. One teacher at a technical school who specializes in counseling work said, shaking his head and sighing: "We've made tremendous efforts, we've done a great deal of work, but we haven't accomplished much; there are still many problems showing up among the students. Some teachers have given up on them, they just try to make the best of it."

Studies are more relaxed. By right, studies at vocational and technical schools should be arduous. Not only must there be some instruction in the basic secondary school curriculum, but there must also be instruction in a specialized curriculum. At the same time, the student must participate in a production internship so as to attain the standard of knowledge and skill that China requires. But at present the coursework of students at vocational and technical schools does not seem to be that heavy. The required curriculum is not demanding. These students, having just finished a stressful course of studies at the junior high school level, feel suddenly relaxed after they enter vocational or technical school. Previously, in elementary school and junior high school, they always had to do a considerable amount of homework outside of school hours, but now all assignments can be completed during school hours in self-study time. Having more leisure, they become lax in their thinking. Some students simply don't know how to use their time.

One technical school student, going crazy from idleness, took up gambling. Because he lost a lot of money, the evil notion of stealing occurred to him. He broke into the home of one of his relatives. Just as he was rummaging through the chests and closets, the master of the house returned. Under these stressful circumstances, the student actually stabbed his relative to death and was severely punished for it.

Obviously, guiding and assisting students in making appropriate use of their after-school time has special importance for vocational and technical education.

They have more social contacts. All this spare time provides students in vocational and technical schools with more opportunities for socializing. Students at these kinds of schools not only have active social relations, but also spend an especially great amount of time associating with their classmates. In schools that implement the residential system of education, the students associate together even more. The quality of thought and habitual behavior among the students is sometimes good and sometimes bad, and certain bad practices can easily spread among them. According to our understanding, at present it is now common for students at vocational and technical schools to gamble, smoke, drink, brawl, engage in premature romances, and take part in nightlife. There is a certain evil general mood spreading quickly at such a fast pace that it cannot be held back. It has become a corrupting agent poisoning the students' minds.

One technical school recruited several students from rural areas who resided at the school. They drank heavily, fought gang wars, and committed theft and

blackmail, becoming absolutely lawless. The school did not strictly supervise resident students. They became increasingly unruly, to the point that normal school activities were disrupted. The problem did not come to light and get resolved until several students were arrested and prosecuted.

Supervision is relatively ineffective. Education at vocational and technical schools is special to a certain degree. A strict system of supervision should be established. Sadly, some vocational and technical schools have not attached sufficient importance to improving supervision work. One young criminal said: "At my technical school, teachers leave as soon as classes are over and let us provide for ourselves. After all, we were brought up under the loving care of our parents. We don't know anything about taking care of ourselves. The result is that we couldn't learn the good, but we learned the bad right away."

Vocational and technical school students must spend a lot of time in factories and other places taking part in internships. It is usually during the internship period that students are least supervised, to the point that they are left to their own devices and no one takes any interest. One student who attends a technical school affiliated with a shipyard, and who has committed crimes, says that when they go to their workshop for their internship, although the teacher occasionally passes through to take a look, basically no one is interested. The construction team isn't interested, the workshop section isn't interested, and the squad isn't interested. However, there are some "busybodies" who become "mentors" for the students, accompanying them in smoking, drinking, boasting and making strange talk. As the students watch, they put things belonging to the factory into their pockets, and carry them out. This kind of thing has a very bad impact on the students, whose judgment is very poor. This student imitated that bad example, and began to commit crimes by stealing the factory's raw materials. [passage omitted]

They have more economic freedom. Technical school students receive a certain monthly allowance, and also receive an additional allowance during their internships. Under most circumstances, a second-year technical student will have a monthly income of about 55 yuan. These students have always had their lives arranged for them by their parents, and many are not yet able to make correct spending decisions on their own. After they get their allowances, then disorderly, thoughtless, unplanned and even destructive spending patterns emerge. [passage omitted]

They are not physically or mentally sound. Vocational and technical students are mostly at the unruly ages of 16 and 17 when they are neither children nor adults. On the one hand, they have more contact with the outside world than most secondary school students, and they are also relatively more experienced in life and more clearly on their way to adulthood. On the other hand, they also have the psychology and behavior that is typical of their

age group; for instance, they still have not shaken off their admiration and imitation of adults. Also, they intensely desire to attach themselves to groups and not to be excluded by them. The psychology of following the crowd is very conspicuous. Whatever is fashionable, they want to do it. Because they lack correct personal guidance, they often lack the ability to fully analyze and understand themselves. They cannot clearly perceive the strengths and weaknesses of their stage of life. As soon as a temptation comes along, then they set out on dangerous paths.

These students still do not have a correct view of their own place and role. They want too early to enter the world of adulthood. Because they lack the judgment to correctly size up complex social situations, they often get in over their heads and cannot extricate themselves. Some female technical school students, being physically fully developed, outwardly appear to be adults already and so prematurely enter the life of adults. They dress themselves up like beautiful adult women and frequent dance halls, bars, hotels, etc. As a result, they are deceived and victimized and pay an exorbitant price for it, but they aren't aware of the seriousness of the problem. They personally feel that this is the kind of life people should live. They wallow in the life of dissipation and become female tramps and prostitutes. The lessons they learn are extremely painful to them.

## MILITARY, PUBLIC SECURITY

### Navy Vice Admiral Views Gulf War Lessons

92CM0182A Beijing JIANCHUAN ZHISHI [NAVAL AND MERCHANT SHIPS] in Chinese. No 11.  
8 Nov 91 pp 2-3, 21

[Report on an interview with PRC Vice Admiral Chen Mingshan, a PLA deputy naval commander, by special correspondent Huang Caibong (7806 1752 5725): "A Study of Ways To Build a Navy With Distinct Chinese Characteristics"; date, place not given]

[Text] Vice Admiral of the Chinese Navy Chen Mingshan [7115 2494 1472], said in an interview with this reporter recently: The Gulf War was the first high-tech, moderately-intensive, modern local war with global impact that has broken out since the end of World War II. This war not only has had a great impact on the international strategic order, but has also provided us with the latest material for studying modern warfare. As it has also taught us many lessons about building up China's national defense. Army, and Navy, studying it will be of great immediate significance to our understanding of modern warfare, the features and development trends of modern local war in particular, as well as to our study of ways to build a Navy with distinct Chinese characteristics.

### The First Lesson That We Learned From the Gulf War

*The Navy should play a role in defending our territorial sovereignty and our country's maritime rights and interests.*

Stalwart Vice Admiral Chen Mingshan is a well-qualified commander of the Chinese Navy with a long record of military service. He has served not only as a naval ship detachment chief, but also in senior military command posts, such as deputy commander of the East Sea Fleet and commander of the South Sea Fleet. When telling me about the lessons that the Chinese Navy has learned from the Gulf War, this admiral who is specializing in Gulf War studies spoke as follows: The Gulf War has shown that rapid scientific and technological [S & T] developments have turned modern local warfare into an integrated land, sea, and air joint operation. All naval operations, whether deterrent or actual combat, and in support of national political and diplomatic struggles or defense of national maritime rights and interests, are characterized by such traits as quick response, large troop delivery capability, in-depth long-distance strikes, and timing control capability in starting and stopping wars. The Navy's role in future wars will not decline, but rather will grow and expand.

Admiral Chen Mingshan continued as follows: The seas and oceans are important spaces to human subsistence and development, tremendous resource treasure-houses, and key national security defenses. As all political, economic, cultural, and S&T centers of the world's coastal countries are located in coastal zones, the seas and oceans serve as protective screens to shield these strategically significant cities and zones. They play key roles in enhancing national in-depth strategic defense, increasing land defense stability, ensuring a country's hinterland security, and maintaining strategic defense system vitality. Just as the seas and oceans are assuming increasingly important positions and roles, the struggles among all countries throughout the world over maritime rights and interests are becoming increasingly intense. Mismanagement of this struggle by any party could touch off local naval wars. The seas and oceans will be the major battlefields and the navy the chief fighter in such wars or conflicts. Moreover, naval battlefields will play key coordinating roles in local mainly land wars among coastal countries. The navy can also play a role in launching sea-air attacks against land objectives, and in defending national territorial security from the sea.

Admiral Chen Mingshan pointed out the following: As the navy plays a role in all historical periods, whether peace or war, it is a means of pursuing national foreign policy. The navy has many specific characteristics that differ from those of the other armed forces. As opposed to the army and air force, which cannot advance beyond national boundaries unless there is an international war, the navy has international capabilities of free navigation rights on the high seas. In peacetime, it can cruise all of the world's seas, even conducting limited operations outside of the territorial waters of target countries, to

expand its own country's influence without providing any legal protest pretext to other parties. This makes the navy the most dynamic peacetime armed service, which is most capable of reflecting national will and pursuing and supporting national foreign policy internationally. The navy's many functions and uses are reflected not only in its comprehensive three-dimensional sea, air, and land wartime combat capability, but even more importantly in its peacetime national foreign policy role.

Admiral Chen Mingshan went on as follows: As the modern navy grew out of maritime commercial shipping, the navy's traditional missions are escorting maritime commercial ships, and attacking naval blockades that are aimed at paralyzing a coastal country's economy. As these missions are not simply military actions, but carry even more economic significance, a country's navy is closely linked to its economy. The navy not only is the embodiment of a country's economy and S&T, but also is the direct defender of its economy, especially its maritime economy and foreign trade. The 21st century will be a maritime century. As the seas and oceans are tremendous resource treasure-houses, the confrontations and struggles among all countries have shifted from the land to the sea. While China's coastal zones also contain rich resources, whose exploitation and utilization will affect the future of the Chinese nation, the existing disputes between China's coastal zones and certain bordering countries over maritime boundaries and island ownership mean that China's sea area is still carved up, our islands and reefs are still occupied, and our resources are still being plundered. As China is facing immediate and potential threats to the exploitation and utilization of our sea area, the protection of our legal maritime rights and interests, and the defense of our territorial sovereignty, we must speed up our construction of a navy with a modern combat capability.

#### **The Second Lesson That We Learned From the Gulf War**

##### *The Navy Must Have an Enhanced Comprehensive Three-Dimensional Combat Capability*

Admiral Chen Mingshan said that another lesson that we have learned from the Gulf War is that China's naval modernization must emphasize enhancement of our maritime comprehensive three-dimensional combat capability.

Admiral Chen Mingshan made the following remarks: The navy is a multipurpose armed service. It absolutely is not merely an ordinary "maritime force," but rather a multipurpose armed service that includes a naval air force and marines. It is essentially the country's mobile multipurpose armed service, which distinguishes it from the other armed service branches. A balanced navy has a multidimensional sea, underwater, air, and land combat capability. When its opponents are seaborne, it can fight them at sea, under water, and from the air, and when they are on land, it can bring its land, air-to-land, and

sea-to-land combat capabilities into full play. The contemporary naval development trend is a constant strengthening of both land and air combat missions and capabilities.

When analyzing the characteristics of the Gulf War, Admiral Chen Mingshan told me the following: Modern warfare requires the navy to have high-speed mobility and a multidimensional combat capability. High-speed mobility is one of the basic characteristics of the navy. As naval armed forces are generally stationed at bases during peacetime to control sea areas from centralized locations, naval forces from other locations must be mobilized quickly and sent to sea combat areas as circumstances arise. The key to such rapid mobility is keeping weaponry performance advanced and in good condition, and providing timely rapid mobility guarantees. In addition, a modern naval force must also have a multi-dimensional combat capability. To operate in maritime space, naval forces must rely on their own interrelated defensive capabilities, by organizing their maritime defenses. Because air forces, submarines, surface naval vessels, and other "hard" and "soft" weapons can all be used to launch deadly blows against naval forces, naval forces must rely on their own multidimensional offensive and defensive combat capabilities, to preserve themselves and destroy their enemies in naval battles. Moreover, as the navy is a special armed service that incorporates sea, land, and air combat capabilities, it must ensure that its weaponry meets sea, air defense, antisubmarine, and land combat needs, by organically combining these weapons with varying functions into a multidimensional offensive and defensive system. Naval war differs from land or air war in that it has no cover except for islands. If the navy cannot attack the enemy effectively or take effective defensive measures, it can only be passive and vulnerable to attack. Thus, the navy must emphasize development of soft, hard, offensive, and defensive weaponry.

Admiral Chen Mingshan briefed me on the Chinese Navy's enhanced three-dimensional combat training in recent years as follows: In early May 1991, our naval air warships carrying helicopters successfully took part in a series of tactical course drills, in which all tactical operations were successful. This shows that our helicopter-carrying naval air warships have the long-term maritime existence and combat capabilities of dependable combat warships. Our former limited capability meant that our naval air force helicopters had to go to sea loaded on large supply ships. To enable helicopters to go to sea and carry out their tasks along with combat vessels, our naval air force helicopter-carrying warship troops have conducted various types of warship drills and training adapted to maritime helicopter maintenance and security in recent years, which have paved the way for these naval helicopter tactical drills. In these tactical drills, the participating helicopter-carrying warship troop units navigated thousands of nautical miles, practiced many take-offs and landings, and did an outstanding job of completing various tactical course drills.



which have added new combat capabilities to China's future naval combat capability, and enhanced our navy's overall combat capability. Moreover, these drills have also trained a number of key forces in carrying out combat tasks along with warships under maritime conditions for our naval air force helicopter-carrying warship troops, as well as accumulating a complete set of experience in on-ship helicopter maintenance and security. Admiral Chen Mingshan continued as follows: Our navy has made outstanding advances in deep-sea training in recent years. Three-dimensional sea, land, and air composition, along with complete deep-sea, mid-range, and offshore coordination, have become some of the most outstanding features of the Chinese Navy's deep-sea combined training. In the first half of 1991, a joint mobile formation composed of various kinds of warships under centralized command launched a three-dimensional joint seaborne, underwater, and air defensive attack in coordination with coastal forces, such as coastal artillery, imposing a multidimensional tight search and fire blockade against security maritime space. This tested our whole armed forces in almost actual combat in areas, such as command decisionmaking, signal communication, battlefield coordination, and reserve strength security, was an overall training success, and accumulated valuable experience in using a modern warfare guiding ideology and naval armed forces.

Admiral Chen Mingshan went on as follows: In late June 1991, the South Sea Fleet also organized a warship formation to conduct a live naval offensive-defensive combined drill. These troops used existing weaponry, emphasized modern combat studies, and enhanced and improved their training in a directed way. They made organization and command capabilities in the use of existing equipment and enhanced modern sea warfare their key proficiency assessment criteria for warship captains, in order to raise their consciousness of being able to win out over a superior enemy. The naval formation conducted repeated live drills in various categories, such as single ship, ship to ship, helicopter to ship, and shore to ship, in order to make use of these various scientific naval classifications to form a rational naval warfare group, to sum up attack methods, such as subduing larger but slower forces with smaller but faster ones, and beating larger forces with diversified attacks, and to enhance troop combat capabilities in modern sea warfare.

Admiral Chen Mingshan continued his briefing as follows: The Chinese Navy's long-range navigation combined drills have brought about the following three major changes: 1. A gradual development from the past drills by mostly single types of ship and armed service branches to combined drills by many types of ships and armed service branches; 2. A gradual development from the past coastal-area to deep-sea training; 3. A gradual development from the past long-range navigation drills in mostly single tactical problems to long-range navigation combined drills in many problems with more complex tactical settings. The Chinese Navy now has as

many as 100 warships that have taken part in deep-sea combined drills, more than half of which have taken place in the Pacific Ocean, which has enhanced its deep-sea navigation and combined three-dimensional combat capabilities.

#### **The Third Lesson That We Learned From the Gulf War**

*The navy must take the path of "strength through S&T" and "building a quality navy."*

Admiral Chen Mingshan continued as follows: As the Gulf War experience has taught us that "strength through S&T" and "building a quality navy" have become the defense capability development trends in all countries throughout the world, Chinese naval development must also take the same path. The combat effectiveness of a modern military is reflected not simply in large size and numerous quantity, but even more so in the tactical technical performance of weaponry, and personnel skill in the use of weaponry, i.e., military quality. While a certain amount of quantity is naturally necessary to attain a given quality, quantity either without quality or with very low quality similarly makes it impossible to form an effective combat capability. The Gulf War was a high-tech one, which reflects the development trend of modern warfare. In a high-tech war in which troops do not come face to face with each other, military quality is obviously more important than quantity. As the navy is the branch of service that is more knowledge- and technology-intensive, clearly has better technical equipment than other branches, and uses much high-tech military technology, an emphasis on enhanced quality is exceptionally necessary to China's current naval development.

Admiral Chen Mingshan went on as follows: In order to win a modern war, not only is advanced weaponry necessary, but highly skilled qualified personnel are even more essential. Only by combining high-tech weaponry with highly skilled personnel can capabilities be brought into full play and strong combat effectiveness be achieved. The navy's many functions and uses, as well as its comprehensive three-dimensional combat capability, are based on "strength through S&T" and "building a quality navy." A modern warship is a combination of various advanced scientific and technical equipment and systems, as well as being the epitome of a country's industrial modernization. The navy needs not only many service arms and complex equipment, but also very high levels of macrodecisionmaking and tactical technology application. This means that the navy must train a large number of various types of qualified personnel, especially commanders, who have a good command of modern sea warfare theory, strategy, and tactics, and who can skilfully command and use modern weaponry. We must come to a full understanding of this.

Chen Mingshan, this admiral who speaks with a Shanxi accent, finally told me the following: We must build a modern navy with distinct Chinese characteristics. As

summed up by Navy Commander Zhang Lianzhong [1728 6647 1813] on the occasion of the 42nd anniversary of the founding of the Chinese Navy, "The navy has always been regarded as a symbol of a country's international might, being the epitome of a country's political, economic, military, and scientific strength, and also the only armed service branch that can cross national boundaries in peacetime to conduct military operations. A strong navy not only can demonstrate national and military strength, and reflect a country's scientific, industrial, and economic development, but it has an even greater impact as a tactical threat. As it has immeasurable immediate and far-reaching significance in resisting aggression from the sea, preventing war, protecting territorial sovereignty and dignity, and spending up maritime economic development, we must build a better people's navy that will serve our general national economic development."

### Report Describes Newest Military Weapons

92CM01834 Hong Kong KUANG CHIAO CHING  
[WIDE ANGLE] in Chinese  
No 231, 16 Dec 91 pp 28, 32

[Article by Ling Yu (0407 1342): "Military Report Reveals New Weapons: The Chinese Communist Military is Presently Beefing Up"]

[Text]

### Chinese Communists Unveil New Equipment in "Military Report"

The Chinese Communists have recently carried out one military exercise after another during which experienced military observers noted that the Chinese Communist military is currently working hard to strengthen its combat strength. The Beijing Military Region carried out a "Report on the Results of Military Training." Jiang Zemin, Li Peng, and Yang Shangkun were present for all of the military exercises as well as the report. In this report there was mention of many new types of equipment, including a "new generation Chinese-built tank," an unmanned reconnaissance aircraft, an electronic jamming vehicle, a communications vehicle, a missile launch vehicle, a decontamination vehicle for use in chemical defense, and a family of field hospital vehicles.

### A New Generation Tank Appears

The "new generation tank" is understood to be the Type "85 II" main battle tank (MBT). Its chassis is similar to that used in the Type 80 MBT, but the turret is of welded construction, not cast. Compound armor is used, which makes it possible in the future to install reactive armor outside the turret, and improves the survivability of Chinese tanks. The tank also employs an advanced stable fire control system with an independently stabilized sight. Its crosshairs are unaffected by the bumpy ride when the tank is in motion, which, in tandem with the ballistics computer, has greatly improved the firing accuracy and reaction speed of the main gun. It also enables

the tank to fire while on the run upon a moving target. The main armament of the Type "85 II" MBT includes one 105 mm rifled gun modelled upon the U.S. M-68. The vehicle can carry 46 rounds, and its full combat weight is 39 tons.

### Improved Communications and Electronic Warfare Capabilities

In the past, the communications and electronic warfare capabilities of the Chinese Communist military were terrible, but judging by the presence of a communications vehicle and an electronic jamming vehicle in the current report, the Chinese Communist military has decided to do something about this backward situation. The appearance of a decontamination vehicle for chemical defenses and a family of field hospital vehicles should somewhat improve the military's ability to provide logistical support and rescue on the battlefield. There is no detailed information available on the missile launch vehicle referred to in the Report, but it is known to be the "Type 85" "Red Arrow 8" anti-tank missile launch vehicle. The "Red Arrow 8" is a second-generation anti-tank missile developed by the Chinese Communists. It is tube launched, similar to the HOT missile produced by Euromissile. It uses optical tracking, semiautomatic infrared guidance, and wired command link. The missile can be launched by portable system, a launch vehicle (including the BJ-212 all terrain vehicle and the Type "85" armored vehicle, or the WZ-551 4 X 4 armored vehicle), or from an aircraft (the No 9 helicopter from Harbin Aircraft Manufacturing Corporation). The firing area of the "Red Arrow-8" is 360 degrees, the missile's range is between 100 and 3000 meters, it penetrates armor 180 mm thick at 68 degree incidence, and the gunner's position is easy to operate. The Artillery Headquarters of the General Staff Department held an "All-Military Artillery Technology Conference" from 27 August to 30 August, 1991. Advances achieved during the Seventh Five-Year Plan were summed up, and the main tasks of the Eighth Five-Year Plan were studied. Much information of interest to observers both in China and abroad was discussed.

### Chinese Communist Artillery Forces Develop Toward All-Weather Capability, Multiple Tactics, and Three-Dimensional Warfare

During the Seventh Five-Year Plan (1986 to 1990), the arms and equipment of the Chinese Communist artillery forces were considerably improved, overall operational strength was further enhanced, and efforts to develop new equipment and upgrade existing equipment were strengthened. Importantly, the reconnaissance, command and communications, and meteorological systems of the artillery forces have developed toward all-weather capability, multiple tactics, and three-dimensional warfare. The degree of automation, command support capability, and rapid response were all improved somewhat. At present, with respect to its weaponry and equipment, the Chinese Communist artillery forces have basically succeeded in coordinating guns with missiles, towed

equipment with self-propelled equipment, and main equipment with accessories.

#### Success with a New Type of Long-Range Howitzer

Among the neutralizing guns developed by the Chinese Communists in recent years, the most important and eye-catching one is the new 203 mm long-range howitzer. The 203 mm howitzer system is the Chinese Communists' largest caliber gun at the present time. The barrel is 43.5 calibers long. The new design is accompanied by an advanced gunpowder which affords long range and a potent attack. When launching a firing hollow base ammunition its maximum range is 40 kilometers, and when launching a firing base bleed ammunition, its maximum range is 50 kilometers, which is far superior to the range of foreign (U.S. and Soviet) guns of the same caliber. The frontal range of this 203 mm howitzer is 50 kilometers. The fire coverage of a single howitzer is 1234 square kilometers, about six times greater than that of the U.S. M-110, or 3.7 times that of the Soviet 2S7. The lethality of the shell is 2.2 to 3 times that of the U.S. M-106. In addition to regular shells, this howitzer can launch tactical nuclear shells, chemical shells, terminal guidance shells, and various shells of the same caliber manufactured abroad.

#### New Developments in Gun Systems

Apart from the 203 mm howitzer system, the Chinese Communists have developed and settled upon designs for gun systems of various models and calibers during the 1980s, the more important ones including:

- the Type "83" 152 mm self-propelled gun-howitzer;
- the Type "83" 122 mm towed gun-howitzer;
- the Type "83" 152 mm towed gun;
- the WA 021 155 mm towed gun-howitzer;
- the Type "85" towed howitzer (modelled on the Soviet D-30);
- the Type "81" 40-tube 122 mm rocket launcher (similar to the Soviet BM-21);
- the Type "82"/"85" 30-tube 130 mm rocket launcher;
- the Type "83" 4-tube 273 mm rocket launcher;
- the Type "86" 100 mm smooth bore high bore pressure anti-tank gun;
- the Type "87" 82 mm mortar;
- the W-90 60 mm mortar;
- the PGJZ-88 twin-mount 37 mm automatic anti-aircraft gun, etc.

#### Communist China's Armored Forces in the 1990s

As we enter the 1990s, the armored forces of the Chinese Communist Army has obtained much new weaponry and equipment. In addition to the Type "85 II" MBT mentioned above, there is also the Type "85" (YW-531H) family of armored vehicles, the WZ-301 (modelled after the Soviet BMP-1) infantry fighting vehicle (IFV), the WZ-523 6 X 6 armored personnel carrier (APC), the WZ-531 6 X 6 IFV, and the newest Type 90 APC. After being put to the test of actual warfare on several occasions, most advanced countries abroad have come to emphasize the development of IFVs because they provide infantry with armored transport and fire support, and the infantry themselves can fire upon targets with light arms carried on their persons. Strangely, though, the Chinese Communist Army, which has been through a border war with Vietnam and suffered much in the fighting, does not seem too enthusiastic about IFVs. Although Chinese Communist military-industrial enterprises have developed six different IFVs (not including the NVH-1, NFV-1, and NGV, which have been developed in cooperation with foreign manufacturers solely for export), including two based on the YW-531H chassis (armed respectively with a 73 mm gun turret and a 25 mm gun turret), two based on the WZ-301 chassis (armed respectively with a 73 mm turret and 25 mm turret), and two based on the WZ-531 chassis (armed respectively with a 73 mm and a 25 mm turret), the Chinese Communist military is nevertheless putting more stress on use of APCs, which are less complex.

#### Continued Improvement of Naval Warships

A "Yellowstone" class 053H2 guided missile escort independently designed and upgraded by Hudong Shipyards in Shanghai was launched in mid-1991. According to a report in a Chinese Communist publication, this ship "has dozens of modern weapons systems, including missiles, automatic guns, and an operations command system. The engine room is operated automatically and has remote monitoring devices." The automatically operated engine room was brought to light for the first time in this Report. The 053H2 uses a long bridge (midship bridge) design which affords more usable space inside the ship and enables the installation of more instruments and equipment, and living conditions are somewhat improved. The armament of the "Yellowstone" escort includes the Yingzi-A ship-to-ship missile launcher/container, one Type "79" 100 mm automatic gun mounted both fore and aft, a 37 mm anti-aircraft gun, and a rocket-style depth charge launcher. Overall, the surface-to-surface strike capability of this class of ship is relatively strong, but its anti-aircraft and anti-submarine armaments are very weak. Production of the 053H2 is expected to replace production of the 053H Jianghu class I, II, and III ships, and to become the main escort building project over the next five years. An export market has already been established with sales of the ship to the Thai Navy. The Chinese Communists have already refitted one Type "051" "Luda" class guided missile destroyer, the Jinan, and they have built



one Type "053H" "Jianghu IV" class guided missile escort. Both ships have a helicopter deck and hangar which is used to carry the Harbin Aircraft Manufacturing Corporation (HAMC) Z-9 helicopter. However, the Chinese Communists have not followed up by refitting any other main surface ships to carry helicopters. Due to a lack of funds, the plan to build an aircraft carrier has not yet been carried out, and even production of the HAMC SH-5 maritime bomber has been suspended temporarily for lack of funds. A foreign news agency reports that a Type "33" diesel electric patrol submarine belonging to the Chinese Communist Navy was lost in the Yellow Sea in late November 1991, and it is assumed to have sunk. A few years ago, a Chinese Communist torpedo boat reached South Korea and was later sent back to China after secret negotiations between the South Korean and Chinese Communist militaries. The Type "33" is the Chinese Communist submarine with the greatest quantity of armaments, and the Chinese Communists are using this submarine as the platform for an experimental submarine equipped with six Yung-8 anti-ship missiles. The Type "33" is outdated, and the Chinese Communists have suspended its production and switched to manufacturing an upgraded version, the Type "35".

#### **Future Course of Air Force Modernization Uncertain**

Lieutenant General Lin Hu (2651 5706), Deputy Commander of the Air Force, stated on 7 April 1991 that the Chinese Communists were currently working to build a modern air force, and that weaponry and equipment was continually improving. He also stressed that the modernization of weaponry and equipment was an important task for military construction in the new period. In speaking of the Gulf War, Lieutenant General Lin Hu said that air power can play a major role in modern warfare, and that large-scale and successful use of electronic warfare is another salient feature of modern

warfare. He said that if China can achieve good progress in the development of aircraft engines and the application of electronic technology during the Eighth Five-Year Plan (1991-1995), it would bolster China's air defenses and strengthen China's air power. Restrictions by Western countries after June 1989 against the transfer of weapons to the Chinese Communists continue in effect and are hindering plans by the Chinese Communists to import advanced Western technology. The most important two projects affected by these restrictions include: 1) The Peace Pearl project, in which Grumman Corporation had been hired to upgrade the avionics systems of 50 J-8 II fighter jets (built by Shenyang Aircraft Manufacturing Corporation) has been canceled. 2) France's [Thomson Radio Corporation?] had been hired to upgrade the avionics system in the Q-5 ground attack craft (built by Nanchang Aircraft Manufacturing Company), but the project has been canceled. The Chinese Communists then sought to obtain new fighter jets from the Soviet Union, including the Su-27 Flanker and the MiG-29 Fulcrum. However, after the coup, negotiations between Beijing and Moscow were shelved. There is information indicating that the Chinese Communists are presently in touch with some aeronautics and electronics firms in Israel to discuss importation of advanced avionics equipment and radar. This equipment was originally designed to equip Israel's new generation Lavi fighter jets. Due to pressure from Washington, however, Israel Aircraft Industries was forced a few years ago to terminate development of the "Lavi" fighter jet, and the Israeli Air Force had no choice but to purchase the F-16 "Fighting Falcon" from General Dynamics Corporation, of the United States. In reality, in some areas the "Lavi" fighter jet was superior in equipment and performance to the "Fighting Falcon". The Chinese Communists will install this equipment on the Shenyang "J-8 II" fighter jet and a new generation of light fighter jets (similar to the F-16) now being in the development stage.

## NORTH REGION

### Xing Chongzhi on Rural Socialist Education

SA2703020092 Shijiazhuang HEBEI RIBAO  
in Chinese 26 Jan 92 pp 1, 2

[Text] Xing Chongzhi, secretary of the provincial party committee, gave a speech at the provincial telephone conference on rural socialist ideological education on 23 January. The following is the content of the speech.

In general, most localities did a fairly good job in conducting the rural socialist ideological education over the previous three months. Party committees at all levels and all work teams made great efforts and achieved fairly notable results. However, there were still some localities whose efforts were scattered and whose results were not good enough. Hebei's rural socialist ideological education has entered the stage of three improvements, which is the most crucial stage of the education. Whether the rural socialist ideological education can turn out the expected results and whether it will be carried out perfunctorily depend on how efforts are made in this stage. Every task for the three improvements is arduous and requires conscientious efforts. In particular, improving party branches to turn them into those compatible with the needs of the tasks in the new period is all the more important. It is the key work in this crucial stage and requires particular efforts. We have talked about this issue for some time, but the result is not good enough in some localities. Because some village party branches were weak and slack, many tasks we arranged in rural areas were not fulfilled successfully. If we fail to pay attention to this key work and solve this problem during the socialist ideological education, we will have difficulty in consolidating the achievements of the education no matter how much work we have carried out in other fields. Of course, improvement of the village-level organizations, improvement of the dual management system, and improvement of the spiritual civilization are interrelated and should be regarded as a whole. When the three improvements succeed, we will have initiative in carrying out the various fields of work at the village level and have solid ideological, organizational, and social environmental foundations for achieving a fairly comfortable life. For this reason, we should devote earnest efforts to the socialist ideological education and truly make a success of the three improvements if we are to speed up rural economic and social development and achieve the 100-percent increase, affluence, and the fairly comfortable life.

The key to success in the three improvements lies in strengthening leadership. All prefectures, cities, and counties should muster their efforts to successfully tackle the most difficult problems during the rural socialist ideological education in March, April, and May. Judging from the practice in the past few months, prefectural and county leaders cannot possibly achieve success in the socialist ideological education if they do not go deep into the grass-roots levels personally to ascertain the true

situation and give specific leadership or if they merely hear reports and visit or give speeches in the selected areas. Therefore, we should particularly emphasize the need for principal leading comrades to go deep into the grass-roots levels to strengthen specific guidance. All leading comrades participating in the socialist ideological education should each be responsible for the work of several villages and conduct inspections on, give guidance to, and help the villages one by one to avoid perfunctoriness. Meanwhile, they should organize and coordinate efforts of various departments to form a joint force for conducting the socialist ideological education. Regarding the problems of the villages conducting the education, pertinent functional departments should take the initiative in solving them in line with the scope of their responsibility and never pass the buck to others. Regarding the villages where problems are concentrated and difficult, county and township leading comrades should personally organize personnel to help solve them. In short, we should make efforts actively to increase the villages doing a good job in socialist ideological education to the maximum and reduce those doing a poor job to the minimum.

An important aspect of the effort to strengthen leadership is to give full play to the role of town and township party committees. At present, some town and township party committees regard socialist ideological education as the work of the work teams for socialist ideological education, devote their major efforts to their day-to-day work and other tasks, and pay little attention to the education. Others try to cover up the problems of villages conducting the socialist ideological education instead of making active efforts to solve them. Such a situation should be changed. A tremendous force has been organized and sent to villages to help solve their problems during the current socialist ideological education. This represents a great promotion of rural work. Town and township party committees should seize this opportunity and work with the work teams to make a success of the socialist ideological education of the villages to which work teams are sent. Regarding the major problems that the villages should solve, town and township party committees should earnestly listen to the opinions of the work teams and make conscientious efforts to study and solve them. If responsible comrades of town and township party committees are found to have hindered the socialist ideological education due to their lack of understanding or their own problems, they should be reshuffled in a timely manner.

Work teams should make more efforts to improve themselves during the stage of the three improvements. In the previous three months, the work teams carried out a great amount of work. A number of model members and deeds emerged, and most team members were praised by the masses. However, there were still a small number of work teams which lacked strict discipline and the courage to deal with practical problems. Prefectural, city, and county party committees and their agencies should achieve success in improving the work teams and solve

their problems during the training after the Spring Festival. The large number of cadres sent to conduct the socialist ideological education have not only helped departments at all levels change their work styles but have also provided an important method for cadres' training. All localities should pay attention to discovering and training outstanding reserve cadres among members of the socialist ideological education work teams. They should encourage work teams to work hard and fulfill their tasks with high quality. Work teams should not leave the villages to which they are sent if they fail to complete the three improvements and to build good leading bodies. We should make this clear to the work teams so that they will enhance their sense of responsibility and mission and strive to hand in qualified papers to the party and the people.

### Tan Shaowen Speaks at Social Science Conference

SA2801022492 Tianjin *TIANJIN RIBAO* in Chinese  
21 Jan 92 p 1

[Text] On 20 January, Tianjin Municipality held a conference on planning for philosophic and social sciences to relay and implement the guidelines of the national conference on planning for philosophic and social sciences during the Eighth Five-Year Plan period, to summarize last year's planning and theoretical work for philosophic and social sciences, and to study and arrange for this year's social science planning work and theoretical research work. The conference pointed out: We should regard the endeavor of expanding and deepening the research on socialism with Chinese characteristics as the main direction of research, and should profoundly conduct the research in applied theory and basic theory in order to serve economic construction, reform, and opening-up, to facilitate the all-round progress of society, to facilitate the building of socialism with Chinese characteristics, and to help invigorate and develop Tianjin.

Attending and addressing the conference were Tan Shaowen, secretary of the municipal party committee, and Liu Fengyan, Standing Committee member of the municipal party committee and head of the municipal leading group for the planning for philosophic and social sciences. Xie Guoxiang, director of the propaganda department under the municipal party committee, presided over the conference. Attending the conference were responsible comrades of various institutions of higher learning in the municipality and of pertinent departments, commissions, and offices, more than 300 persons in all.

In his speech, Tan Shaowen fully affirmed the achievements scored by the municipality in the social science theoretical work over the past few years. Then, he pointed out: The vast numbers of social science workers in the municipality have thoroughly comprehended and implemented the party's basic line known as "one central task and two basic points" and have conscientiously conducted research in applied theory and basic theory by

adhering to the principle of integrating theory with practice, by applying the Marxist stand, viewpoint, and method, and by closely focusing on the major theoretical and practical problems emerging in the modernization drive, reform, and opening-up. As a result, they have achieved a number of influential and valuable results in scientific research and have made due contributions to promoting reform and opening-up, to enhancing the policymaking level of leaders, to stepping up the building of socialist spiritual civilization, and to accelerating Tianjin's economic and social development.

Tan Shaowen stressed in his speech: At present, we are confronted with a complex international situation and arduous domestic tasks, and many new circumstances and problems have cropped up in practical work. Only when we strengthen the philosophic and social science work under the guidance of Marxism and use theories to answer the major questions offered by practice can we provide powerful theoretical guidances for the socialist modernization, reform, and opening-up to ensure their correct direction of development, and can we educate and guide the masses and youths to enhance their ability to judge the rights and wrongs and to affirm their confidence of socialism. In short, the times are calling social science, and practice is calling social science. Closely around the major subject of building socialism with Chinese characteristics, the mass of social science workers should enhance their morale and struggle ardently to manifest their vitality, fighting capacity, and creativity in the process of answering major practical questions and to make social science thrive and developed in this process.

He added: To achieve success in the various items of work at present and in the future and to attain the fighting goal of invigorating Tianjin, there are many major theoretical and practical questions which require profound research by social scientific workers. For instance, to continuously regard economic construction as the central task and to boost economic construction, social scientific workers are required to conduct profound research on the questions of how to strengthen macroeconomic regulation and control, how to successfully adjust product mix and production structure, how to invigorate large- and medium-sized state enterprises, and how to make urban economy and rural economy develop in coordination. For another instance, to accelerate reform and open still wider to the outside world, how should we carry out the reforms in various fields in a coordinated way, and how should we open still wider to the outside world and to other domestic places? After defining the strategic principle of "invigorating the municipality by applying scientific and technological research findings," how should we orient, as fast as possible, the municipality's economic construction to the orbit of depending on scientific and technological progress and improving the quality of laborers and how should we strengthen party building and the building of spiritual civilization from the high plane of opposing peaceful evolution? All these questions require social



scientific workers to conduct conscientious research with a view to providing powerful spiritual motivation, theoretical support, and ideological guarantees for economic construction, reform, and opening-up of the municipality.

In his speech, Liu Yanfeng raised some major subjects which need solution by theoretical research at present and during the foreseeable future. He also offered the specific measures which should be adopted and the tangible things which should be done well in strengthening leadership and further stimulating the prosperity and development of the municipality's research in social science theories. In addition, he expressed hope that the theoretical circle of the municipality would further emancipate the mind, enhance morale, pioneer the road of advance, and make concerted efforts to promote the development and prosperity of Tianjin's philosophic and social sciences.

#### **Li Ximing Views Work of Professional Advisory Group**

SA2803004992 Beijing BEIJING RIBAO in Chinese  
30 Jan 92 p 1

[By trainee Li Xuemei (262) 1331 2734]: "The Professional Advisory Group Under the Municipal Government Gives Full Play to Its Advisory Role in Serving the Modernization, Reform, and Opening Up of the Capital"]

[Text] The fifth professional advisory group under the Beijing municipal government, consisting of 800 professional advisers and 89 advisory teams, was formally established on 29 January at the work conference of the professional advisory group of the municipal government.

Li Ximing and Chen Xitong attended the conference, and Li Ximing made a speech. Zou Zuyue, chairman of the municipal Scientific and Technological Commission, made a report on the work of the fourth professional advisory group.

Over the past two years, the fourth professional advisory group has conducted consultation and appraisals for 1,300 major subjects and projects, participated in the research of 235 subjects related to policymaking, rendered 21,300 informations and suggestions, and helped realize 1,200 programs on management improvement, technological development, and technological popularization. It also sponsored 1,200 terms of training classes, thus satisfactorily attaining the targets assigned to the group within its term of office and yielding obvious results.

On the basis of investigation and study, the professional advisory group has also offered many valuable suggestions and opinions which have been adopted by the municipal leaders and pertinent departments. Advisers

to industrial departments have offered many good consultations and opinions on the principle, guiding ideology, and goals for the readjustment of the industrial product mix during the Eighth Five-Year Plan period. These advisers have also conducted "group consultation" for 166 money-losing enterprises and then helped them pass through the difficult period and raise efficiency. In urban construction, it has already become practice that no policy decisions are made without the opinions of the professional advisory group. The group has offered feasible opinions for drawing up plans for the construction of the Asian Games Village, the rebuilding of old towns, and the construction of the western passenger station. In agriculture and commerce, this group has delivered some 40 investigation reports over the past two years, and some of their suggestions have already been put into effect.

In his speech, Li Ximing first expressed thanks and extended respects to the comrades of the professional advisory group for their voluntary service, selfless dedication, and tremendous contributions to the modernization, reform, and opening up of the capital over the past 10 year.

He pointed out: The various tasks facing us this year are very arduous. We should implement even better and more comprehensively the basic line known as "one central task and two basic points" and should quicken the pace of reform and opening up with focus on economic construction. To ensure the sustained, steady, and coordinated development of the national economy, we must accelerate scientific and technological progress, extensively apply new and high technology, translate scientific and technological achievements into practical productive forces as quickly as possible, and conscientiously carry out the idea of science and technology being the primary productive forces in a down-to-earth manner.

Li Ximing expressed hope that the newly established fifth professional advisory group would offer more ideas, raise more suggestions, and make more contributions in this aspect in order to effect a new enhancement in not only the level of comprehensive research but also the level of serving the capital's building of socialist material and spiritual civilizations.

He said in conclusion: The professional advisory group has already accumulated a wealth of experience and created fruitful achievements over the past 10 years. Based on this, the group will certainly be able to do its work even better and achieve even greater results.

Attending the conference were municipal leading comrades and responsible comrades of various commissions and offices of the municipal government, including Wang Xian, Zhao Pengfei, Zhang Jianmin, Xia Qinfen, Huang Chao, Lu Yucheng, He Luli, Wang Baosen, Zhang Peng, Feng Mingwei, and Tie Ying.

### Beijing Holds Discipline Inspection Work Conference

SA2803043192 Beijing BEIJING RIBAO in Chinese  
30 Jan 92 p 1

[By correspondent Su Li (5685 0536) and reporter Sun Yushan (1327 3768 1472): "The Work Conference of the Beijing Municipal Discipline Inspection Commission Stresses the Necessity To Provide an Effective Disciplinary Guarantee for Economic Construction"]

[Text] Last year, the discipline inspection organs of the party in the municipality accepted and handled 2,053 undisciplined cases relating to party members, applied disciplinary sanctions against 1,460 party members, and expelled 395 people from the party. The reporter learned of the event from the municipal discipline inspection work conference that was held on 29 January.

Closely in line with the basic line of the party, last year, the discipline inspection organs in the municipality vigorously strengthened the education on party discipline, strengthened the improvement of party style and administrative honesty, and provided an effective disciplinary guarantee for economic construction and enlivening large- and medium-sized enterprises. Last year, these organs handled 280 undisciplined cases each involving more than 10,000 yuan and relating to the party-member cadres at or above the deputy section chief level, including 103 cases of corruption and bribery. Through self-investigation and self-assessment, more than 43,550 cases of being indulged in lavish wining and dining, accepting gifts, asking for money, and apportioning expenses from the people were exposed. Through self-correction, nearly 860,000 yuan were voluntarily recovered and more than 300,000 yuan worth of materials and goods were returned. In the course of clearing up the cases of using public funds to build and decorate private houses, the discipline inspection organs cleared up 2,002 houses and respectively applied party, government, and legal disciplinary sanctions against 70 cadres whose cases were serious. Simultaneously, more than 840,000 yuan in unlawfully collected fines were returned.

Meng Zhiyuan, Standing Committee member of the municipal party committee and secretary of the municipal discipline inspection commission, set six requirements for the 1992 discipline inspection work. He urged that we should continuously serve the basic line of the party, take economic construction as a key link, and provide a disciplinary guarantee for the implementation of the Eighth Five-Year Plan and the 10-Year Plan.

We should continuously grasp the improvement of party style and administrative honesty, deeply wage the struggle against corruption, and help party members and party organizations ceaselessly upgrade their ability in resisting peaceful evolution.

Discipline inspection commissions at various levels should concentrate efforts on investigating and handling major and appalling cases. Simultaneously, we should go deep to the units that go into bankruptcy and suffer serious losses due to the fact that individuals pocket public funds to help solve problems. Resolutely in line with the relevant regulations of the central discipline inspection commission, we should handle the units that refuse to report, investigate, and handle their cases and eliminate the phenomena of giving false reports and offering false testimonies.

We should deeply conduct education on party spirit and party discipline with the major content of opposing corruption and strengthen the building of systems, laws, and regulations.

Party-member cadres, particularly leading cadres, should conscientiously accept supervision by party organizations and party members, consciously support discipline inspection commissions to exercise their supervisory functions entrusted by the party constitution. Discipline inspection commissions should bravely enforce the duty of supervision and conscientiously investigate the situation where party organizations and party members implement party regulations, party discipline, and the party's line, principles, and policies.

We should further strengthen the self-construction of discipline inspection organs and conscientiously prepare for the election of the next municipal discipline inspection commission.

# Trade With Spain Increases

OW2703150792 Taipei CNA in English 1422 GMT  
27 Mar 92

[Text] Madrid, March 27 (CNA)—Two-way trade between the Republic of China (ROC) and Spain totaled \$158 million in the first two months of 1992, up 13.6 percent from a year earlier.

According to statistics compiled by Taipei's representative office in Madrid, ROC exports to Spain increased 8.5 percent to \$126 million in the two months, while its imports from Spain surged 39.9 percent to \$32 million.

Spain is the ROC's seventh largest trading partner in the European Community, standing behind Germany, the United Kingdom, the Netherlands, France, Italy and Belgium.

# New Banks Supported by Financial Groups

92CE03184 Taipei CHING-CHI JIH-PAO in Chinese  
10 Feb 92 p 3

[Article by Lai Ya-wen (6351 7161 7186): "'Outstanding' New Banks' Hidden Concerns; Become a Battlefield for Political and Economic Forces; 'Firewall' Lacking; Good or Bad Fortune Hard To Predict"]

[Text]

Table of Principal Shareholders and Officials in Fifteen New Commercial Banks

Bank Name	Chairman of the Board	Principal Financial Groups and Market Company Shareholders
Wan-Tai Bank	Hsu Sheng-fa	Tai-tzu Group, Hung-fu Cement, Ta-Tung Textiles, Shih Paper, Chung Fiber
Ta-An Bank	Lu Jun-k'ang	Ch'in-I, China-Japan, I-Mei, Pacific, Hua Hsin Group, Tai Cha, Sheng-Pao, Ke-Lin, Ta Ya, Tai Rubber Mainland Engineering
Federated Bank	Li Ts'un-ching	Federated Development, Ai-chih-wei Foods
Chung Hua Bank	Wang Yu-tung	Li Fa, Chia Flour Group
Hua Hsin Bank	Lin Li-hsin	Central Investment Company, Chien Hua, Ch'i Sheng, Tung Yun Jun Tai, Tung Chien, Feng Chun, Hou Sheng, Tung Ti Shih VO5
Far East Bank	Hsu Yu-huang	Yuan Textiles, Tung Lian, Asia Cement, Li Li, Fu Ch'ang, Far East Group
Ta Chung Bank	Ch'en Tien-mao	Tai Plastics, South Asia, Tai Chemical, Kuang Ho Group, Coca Cola, Ta Tung Department Stores
Asia Pacific Bank	Ch'iu Chia-hsiung	Ch'eng Chou Electronics, Tai-chung Medium and Small Enterprises
Chung Hsing Bank	Wang Yu-yun	Hua Jung Group, Li I Textiles
Wan Tung Bank	Wu Tsun-hsien	Tung-i, Huan Cement, Nan Textiles, K'un Ch'ing Textiles
Fu Pang Bank	Ts'ai Wan-ts'ai	Fu Pang Group, Ch'ang Jung, Li Jung, San Shang Hang, Yeh Hung, Kuang Feng
Pao Tao Bank	Ch'en Chung-kuang	Yang Lo To, Nien-tai Motion Picture and Television, San Te Hotels, K'o Kuo Mei, Kuang Yuan Papermakers, Jih Sheng Securities Group
Pao-Asian Bank	Yang T'ien-sheng	Ch'ang I Group
Tai Hsin Bank	Wu Tung-liang	Hsin Kuang Textiles, New Fibers, Wei Ch'uan, Wei Wang, Tung Yuan, Eastern Steel
Yu Shan Bank	Lin Chung-hsiung	Tai Hsu, Eastern Steel, I Hua, Kuang Pao Group, Hsin Tung Yang, Ch'uan Computer Electronics, Ling Ya Electronics, San Shang Computers

Table by Lai Ya-wen

(Taipei) The establishment of new banks is a turning point for renewed rectification in the structure of Taiwan's political and economic forces.

Last year the Ministry of Finance all at once approved the establishment of fifteen new banks. Reaction was different from various quarters. Some people felt that the Ministry of Finance approved so many so that the new banks' stocks could become rare commodities. Some felt that it was to force the public banks to face up to improving the quality of their services and to speed up the privatization of publicly owned banks. But its most far-reaching affect on society as a whole has been the derivative restructuring of political and economic forces

and the unpredictable changes that are occurring as a follow on to the establishment of the banks.

Beginning at the end of last year, with the concentrated opening of new banks, the gathering of high officials at the opening cocktail party for each bank marked the prelude to this change in political and economic forces.

From the principal stockholders in the new banks (see table), we can see that almost every new bank is backed by companies in the market and financial groups and actually some financial groups and companies in the market immediately displayed their power when the new banks first opened.



The Hua Hsin Bank that just opened a few days ago on the first day that it opened announced that it had taken in 8.1 billion yuan in deposits. Because the leader in the Hua Hsin Bank is the Kuomintang-run Central Investment Company, among the major shareholders were a number of party enterprises financed by investments shifted by the Central Investment Company. Personnel from the old public banks were not at all alarmed by this achievement in first day deposits, but were deeply impressed with the capability of party enterprises to transfer funds.

The Kuomintang's plans to set up the Hua Hsin Bank touched off a discussion at the outset. A party member and high-ranking official in a public bank indicated privately that he was afraid that in the future as each election season approached it would be difficult rule out politics from every outsider's speculation and association regarding the Hua Hsin Bank.

Most of the other fourteen private banks led by enterprises from the northern, central, and southern regions have the backing of strong political and economic forces.

Simply because it is difficult to distinguish political and economic forces, when a new bank purchases a branch, it is rumored that the name of the enterprise associated with the major stockholder was used to put down the assets that were transferred to buy the new bank.

Inside people from the federation of the Chung Hua Min Kuo Bank revealed that recently a leader (chairman of the board) of a certain financial group intended to try to get a seat on the board of the bank federation through his connection with investment in the new bank to obtain some decision making authority in banking circles.

New banks are in the process of expanding and extending their power and there still are no clear standards limiting the trust conferred on interested parties by the banks concerned. A great many of the older generation, senior decisionmakers from public banks, have indicated that the opening of the new banks has caused the old banks to improve the quality of their service, but until there is a substantial firewall, allowing the new banks to operate freely is bound to concern people.

A high official in a public bank described the rapid establishment of new banks as being like "a fierce tiger coming out of the pen." It is hard predict if it will be good or bad. If we send people to block the way and catch the tiger after a problem occurs, it will be trouble.

No matter what, it appears that it will be hard to avoid rising, falling, and rectifying competition of political and economic forces.

### New KMT Political Faction in Legislative Yuan

92CM01304 Taipei HSIN HSIN WEN (THE JOURNALIST) in Chinese No 244, 17 Nov 91 pp 34-35

[Article by Chiu Ming-hui (6726 6900 6540): "Lack of Clarity About the 40,000 Yuan Stipends, Doubts About Guaranteed Party Candidature—Backstage Factors in the Formation of the 'Hard-Core' Secondary Faction in the Legislative Yuan"]

[Excerpt] In some of the special coaching courses arranged by neighborhoods for getting into high school, they had what was called "guaranteed-success classes," where it was only necessary to diligently attend classes every day in order to be guaranteed not only entry into the first three schools of one's choice but also a stipend. The idea of these "guaranteed-success classes" was also recently applied by a subparty group of the Legislative Yuan, a newly organized subparty group, the "Hard-Core Group," formed mainly by legislators of the Development Research Association. It is said that if members of this group will only frequently attend sessions of the Legislative Yuan and support the decisions of the KMT's Central Committee, they will not only receive a monthly stipend of 40,000 yuan but will also be guaranteed to be continuously on the party's list of candidates in future elections.

This new group, providing the above-mentioned liberal conditions, was organized by three legislators, Shen Shih-hsiung [3038 0013 7160], Li Tsung-jen [2621 1350 0088], and Chou Shu-fu [0719 2579 1650], and has as members Wang Tien-ching [3769 1131 0352], Chu Feng-chih [2612 7685 5347], Chang Chih-min [1728 1807 3046], Lo Chuan-chin [5012 0278 6651], Ting Shou-chung [0002 1343 0022], Ho Chih-hui [0149 2535 6540], Wang Su-chun [3769 4790 4596] and others. Quite different from the subparty groups of the past, who issued loud propaganda all over the place, the present group, which is estimated to count 32 legislators as its members, are keeping their mouths shut and saying nothing. Moreover, regular contacts among them are the responsibility of three key personalities, each one being allotted the care of about 10 members, and there are seldom contacts between the members, making it all look very mysterious.

In the evening of 7 November, the said subparty group held its second dinner meeting at the Lijing Restaurant, which was attended by about 30 legislators. On that occasion, Shen Shih-hsiung first of all told the meeting that operations by the group had so far worked well because work at the Legislative Yuan, be it at its general meetings or at its committee meetings, had proceeded smoothly. This, he believed, is to everyone's credit. However, on the question of guaranteed listing as candidates, Shen Shih-hsiung modified previous statements and only said that as long as a person gives a good account of himself and diligently attends meetings, he can of course count on the support of the party.

Most of the time, the legislators at the social dinner directed their attacks against the "Collective Wisdom Association" and also criticized and refuted the interpellations by Lin Yu-hsiang [2651 6877 4382], Wu Tzu [0702 2737] and others. Some legislators, among them Chu Feng-chih, Chang Chih-min, and Wang Ling-lin [3769 0109 7792], who had just announced their resignation from the "committee for pooling ideas," received a warm hero's welcome when they appeared at the meeting. They also expressed their various views about their resignations from the mentioned committee. As to the stipend of 40,000 yuan, there was no further discussion.

Outwardly, the reason for forming this group was the hope that everybody would support the policy decisions of the party and that they would be attending more meetings of the Legislative Yuan. But many legislators thought these reasons are not very persuasive. In the opinion of legislator Wang Tien-ching, the given reasons concerned behavior that had always been self-understood and would need no further emphasizing, while legislator Chao Chen-peng [6392 2182 7720] frankly commented at the dinner meeting of 1 November that there are already quite a number of politically active groups, and the more the splinter-groups there are, the less power will there be for each group. He said, the most important thing now is to perform work; if people will not attend meetings, what is the use of forming so many groups?

What led to most argument was the monthly stipend of 40,000 yuan and the guarantee to be listed as election candidates. One legislator asked Shen Shih-hsiung to explain where the money came from. Shen first did not want to say, but he guaranteed that the money was definitely from legitimate sources. Under prodding from the said legislator, Shen revealed that it was forthcoming from a businessman, but Shen would not disclose the man's name. But these 40,000 yuan aroused some suspicions among some legislators. Some felt as if they were being bought, while others again thought these 40,000 yuan are not much use because election activities will cost several millions, so that the 40,000 yuan were like the proverbial "cup of water to put out the fire of a cartload of faggots," not very much of a help.

However, the statements that Shen Shih-hsiung later gave out were not consistent. He said the 40,000 yuan will not be a fixed monthly payment but paid only when money was available. The source of money would be irregular funds to be raised by the members of the group themselves. There were considerable differences in the way the legislators were told of it.

Another question which led to disagreement was the guarantee to be listed as election candidates of the party. It was pointed out that since Shen Shih-hsiung's relations with President Lee Teng-hui were quite good, it was probably due to this factor that Shen had dared to boast in this grand manner. Actually, next year, when the old legislators will all retire, there will be a large increase in

vacancies in the Legislative Yuan. As long as an incumbent will not perform too badly, he will have a good chance to be reelected for another term. It is only that people find it difficult to understand how Shen Shih-hsiung and the others venture a guarantee like this. One legislature thus jokingly pointed out, if Li Tsung-jen himself is not listed as candidate in this election, how can he guarantee others that they will have their names on the ballot?

Because at first the principle according to which Shen Shih-hsiung invited people to join the group was to find one man in each county and city and two men each for each of the two districts of Taipei, but not to invite as far as possible persons from the common political line of the "committee for pooling ideas" and of the New KMT, also not to invite very rich persons or persons with rough dispositions, some person who were not invited to join were therefore highly displeased. One legislator by the name of Hung, who had not been invited, asked, does that mean that his name will not be on the ballot? There was quite some animosity of this kind, and to avoid creating irritations in personal relations, Shen Shih-hsiung felt obliged at the conclusion of the first meeting to demand that no one should divulge what went on during the meeting, and that no written records of the meeting be kept.

However, these endeavors at secrecy gave outsiders different ideas. One legislator, who did not want his name mentioned, said, this group is formed to build up a force that will elect Shen Shih-hsiung to the vice presidency of the Legislative Yuan, because generally he shows little consideration for others. If he now suddenly organizes this kind of a group, and "gets a lot of fringe benefits for doing something," it is rather abnormal for him to do so. Add to it that he sought out many legislators elected by overseas Chinese, persons who very seldom attend meetings. If it would have been purely to enhance the efficiency of legislative business, why would he invite people to join for whom it is almost impossible to attend meetings? The same legislator further remarked that it is because Shen Shih-hsiung has fairly obvious intentions that he leaves matters concerning this group open for future consideration! [passage omitted]

#### **Firms Jointly Invest in PRC Real Estate**

92CE0318B Taipei CHING-CHI JIH-PAO in Chinese  
12 Feb 92 p 3

[Article by Huang Yu-chen (7806 3768 3791): "Taiwan, Hong Kong, and Japanese Firms Advance Together in Mainland Real Estate—Advance Sales of Approximately 50,000 New Taiwan Dollars Per Ping Are Rather Attractive. Only Several Problems Lurk in the Background"]

[Text] (Taipei) Taiwan, Hong Kong, and Japanese business people are jointly investing in housing on the mainland in Fuzhou. The selling price for each house is

approximately 2.5 million new Taiwan dollars (about 50,000 new Taiwan dollars per p'ing [approximately six square feet]).

In addition, Taiwan Overseas Fujian Construction also is building houses for sale in Shanghai. The selling price also is about 50,000 new Taiwan dollars per p'ing.

The object of these advance sales and marketing are Taiwan, Hong Kong, and mainland (as published) business people. Recently Fuzhou's Dengyun Shanzhuang publicly marketed in Taiwan was built with a joint investment from Japan's Mitsui, Hong Kong's United Real Estate, and P'an K'o-wen (3382 0344 2429), the representative of Taiwan Pacific Ocean Wiring and Cable and friends. Mitsui holds 20 percent of the shares, United Real Estate 35 percent, and P'an K'o-wen individually holds 35 percent.

P'an K'o-wen points out that Dengyun Shanzhuang has 800 houses, mostly villas—one hundred villas on the lake, and an eighteen hole golf course built from the investment of the Hong Kong firm, Hsien-hui Company.

The Shanghai Pudong town planned with Overseas Fujian Construction's Huang Chou-hsuan's (7806 0719 2467) investment also will be marketed in Taiwan before the end of the year.

Overseas Fujian Construction's representative in Taiwan, Huang Shou-kuang (7806 1343 0342), indicates that Pudong's town plan anticipates building 200 thirty-story apartment buildings on more than 50 hectares of land. For this town plan, Overseas Fujian Construction also plans to invest in 50 building materials factories in Shanghai, including porcelain blocks, furniture, and glass screens to provide for the construction needs of the town plan.

#### (Hong Kong, 11th)

The *Asian Wall Street Journal* on the 11th said that a great many Hong Kong and Taiwan investors are attracted by the booming development of the mainland real estate market led by Shenzhen, but there are a great many problems lurking in the background.

The mainland real estate market is hottest in residences and investment comes mainly from Hong Kong and Taiwan.

The sky-high prices of Hong Kong real estate leave small investors unable to establish a foothold, and the Taiwan market still has not recovered from the confusion of the 1990 low. The potential profits and opportunities in mainland real estate are virgin investment territory for bold and optimistic investors.

Mainland real estate prices are an extremely popular gauge to measure the degree of economic reforms by the Chinese Communists. This situation is especially obvious in Shenzhen, where immovable property prices increased 70 percent over the previous year.

However, this certainly does not indicate that the Chinese Communists are close to becoming capitalist. The Chinese Communists did not give a legal basis to the exchange of immovable property until 1988, and land still is owned by the state. Moreover, state authorities still are the only ones authorized to permit the lease of land. The only change is that leaseholding authority can be transferred between private individuals. Land leaseholding or use authority normally is for 50 to 70 years.

This is just the theory. In fact, the Chinese Communists only permit the exchange of immovable property in a few special districts of a few cities. Most of these areas where immovable property can be transferred are in Guangdong and Fujian. There also are some in such large coastal cities as Tianjin and Shanghai.

Since the mid-1980's, investments in hotels and offices in these cities have been too numerous and excessive. Since then the market has been weighted toward mainly individual investment residences.

However, the Chinese Communist immovable property market is extremely chaotic. In most regions, there are a few levels of immovable property. Some can only be traded to foreigners, some can only be purchased by the common people in the country, and some is not divided. It is not at all clear how the entire system operates, but what is definite is that if an investment is not correct, it can result in loss of the principal.

Another thing that leaves people at a loss are the limitations on local authorities can control their own markets and in a great many cities they have developed like wild fire. However, they are entirely without regional laws on such matters as plans, levies, and mortgages.

Not having laws is not important, but without clarifying relationships it is difficult to operate. When the line of demarcation between the Chinese Communist executive, legislative, and judicial is unclear, it is just as well to work with the higher echelon.

Some investors to protect their interests often invest in partnership with the local authorities. However, when the situation changes, the authorities often do not acknowledge the debt or make repeated demands.

The ultimate problem is whether or not the mainland real estate market can continue. A great many Hong Kong investors investing in Shenzhen residences hope through hard work to get to Hong Kong, but various border procedures make this unrealistic thinking. Actually, it will still be this way after 1997, because the Chinese Communists clearly want to maintain Hong Kong's special status.

The result is that a great many of Shenzhen's immovable properties have investors but no clients and remain vacant there or are loaned out by the Hong Kong investors for the use of mainland relatives, or even serve as magnificent houses for mainland concubines.



(Agence France Presse, Hong Kong, 11th)

A Hong Kong newspaper reported on the 11th that Taiwan is second only to Hong Kong as a source of investment in the mainland's Shenzhen Special Economic Zone.

*Ta Kung Pao* said that last year a total of 286 Taiwan firms were registered in Shenzhen with a total investment of \$260 million, an increase of 21.6 percent over 1990.

The newspaper said that now there are a total of 739 Taiwan firms in Shenzhen with a total investment of \$640 million, second only to Hong Kong.

### Radical Change in State-Party Capitalism Urged

92CM02134 Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 255, 1 Feb 92 p 7

[Article by Szuma Wen-wu: "The Strongest Sunlight Cannot Penetrate This Gold Wall"]

[Text] In Taiwan money-affected politics is getting worse. The phenomenon of buying power with money, and then securing money with power is widespread. But several rich politicians vie with each other in complaining to society: "Is it a sin to have money? Are rich people second-class citizens?" It is as if they are greatly discriminated against, and as if they want others to help them seek justice. This really makes one both amused and sad.

Surely, parliamentarians have the right to operate businesses. The real question is how many people are making use of their status, from their privileged positions, to enrich themselves in an improper manner. This situation can be seen everywhere. Therefore, many parliamentarians have seen their business boom, and their wealth increase geometrically. There are few legal constraints on them, and the media cries in vain. If they were required to disclose their finances, everyone would be greatly surprised. No one would expect that the wealth under their names would be so little; not even a child would believe such figures.

Therefore, before laws that can really effectively close the huge loopholes are promulgated, preventing rich people from occupying even higher positions is one way among no other ways. Of course, the force of evil always manages to beat the force of law. Even the most thorough brilliant legislation is no match for shrewd lawyers and accountants. This will be long process of struggle.

While social circles are heatedly discussing money games in parliament, the Kuomintang [KMT] center officially launched fund-raising activities for a party affairs foundation of 5 billion, and declared that the total amount of investment for party-run businesses would not exceed 15 billion New Taiwan dollars [NT], seemingly ignoring the close relationship between today's political practice and the KMT's party style.

Areas where there are direct and indirect investments for party-run businesses include those of securities, finance, insurance, department stores, chemical industry, transportation, textiles, high technology, cement, iron and steel, and pharmaceuticals, all industries pertaining to food, clothing, residence, transport, education and entertainment. According to usual estimates, these businesses are worth at least NT\$100 billion, almost 10-fold over the disclosed figure. Furthermore, they have long maintained ambiguous ties with state-owned enterprises, thus forming a unique symbiosis of state-party capitalism.

Due to modern ways of operation, this huge privileged group is now expanding even more rapidly. Many business people are party comrades. Fertilizers are not to go to other's fields. Profits gained in this way are not disclosed to outsiders, but a check on the investments of rich parliamentarians would give you some idea about these profits.

Party-run businesses, state-owned enterprises, and private businesses form a trinity, and cooperate with each other closely. Thus, there is no match for them across the land. As a result, the allocation of economic resources is distorted, and normal economic mechanisms cannot be established. This is a major source of corrupted political practice.

Around the world, no democratic political party controls so much party-run business. The party center holds this trump card, it is very convenient to distribute all kinds of benefits, and give rewards for political support. To have money is to have power. Who among the party comrades dare to seize power from the party center. How can inner-party democracy be established?

Nowadays the KMT has to raise funds from business. Previously, businessmen took the initiative to make contributions, and would even convert the amount of evaded taxes that was discovered into contributions to the party in accordance with negotiated conditions. Now such an approach is much less effective, but the stick of tax inspection remains very useful. To understand the effect of the stick, one has only to see how second-generation businessmen vie with each other in attending training courses at Yangmingshan. For no one would believe that these second-generation businessmen attend the courses for the sake of the Three Principles of the People.

If a party is a group based on political ideas, why should it have such a huge network of businesses? Why should it support so many professional party workers? If the KMT is really to become a democratic party it can keep the wealth, but should not directly operate the business. Because such operation is inseparable from its privileged position.

An even more important point is that, if we want to change current money games, without great changes in business entities of a state-party capitalist type there will not be any change.

### Authorities Loosen Domestic Market Restrictions

92CE0118C Taipei CHING-CHI JIH-PAO in Chinese  
10 Feb 92 p 9

[Article by Liu Pi-ling (049) 4310 7881]: "Chinese Communists Continually Loosen Domestic Market Restrictions. Difficult To Hold Back Taiwan Firms' Fervor for Mainland Investment"]

[Text] (Taipei) Chinese Communist authorities in order to implement the Eighth Five-Year Plan (The Eighth 5-Year Economic Development Plan, 1991-1995) to develop the economy have continuously loosened domestic market restrictions. The Strait Exchange Fund predicts that this year Taiwan firms' fervor for mainland investment will remain unabated.

According to a foreign wire service report, this June the Chinese Communist authorities will loosen restrictions on the domestic market for edible oil production and allow Taiwan firms to invest in the business. This news was leaked because the Chinese Communists are striving to attract foreign investment to accomplish the Eighth Five-Year Plan and expand the economic development base.

The Strait Exchange Fund surmises that the economic reform policies in the recent Chinese Communist Seventh Five-Year Plan (1985-1990) and Eighth Five-Year Plan were in tacit agreement in giving top priority to attracting foreign investment to the mainland.

The Strait Fund indicates that because the rate of reform in the first stage of the Chinese Communist Seventh Five-Year Plan was too fast, it led to the danger of inflation in the last stage of the Seventh Five-Year Plan. For this reason, the Chinese Communists shifted to attracting foreign investment to improve the financial situation, and it was just in this period that Taiwan firms flocked to the mainland in great numbers to invest.

The Chinese Communist authorities' attitude toward foreign firms essentially is that although they only welcome "two ended external" industries (that is the enterprises use cheap mainland labor and import raw materials, and after they are processed into finished products on the mainland, reexport them to earn foreign exchange) to come to the mainland to invest, it is so that the mainland can earn foreign exchange and increase their foreign exchange base to relieve inflationary pressure.

But based on Ministry of Economics announcements, it can be seen that the most numerous industries that Taiwan firms invest in on the mainland are vehicles, service industries, plastic products, finance, and electrical appliances.

Vice Chairman of the Executive Yuan Mainland Committee Ma Ying-chiu (7436 539) (0046) indicated that by looking at this industry break down we can see that the investment motivation of the Taiwan firms is focused on the mainland domestic market. In the short run, possibly

because of the mainland's foreign exchange policies, these industries must concentrate on foreign sale manufacturing industries. But in the long run, these enterprises still hope to break into the mainland domestic market.

As for the Chinese Communist authorities, although they keep saying that they do not welcome domestic sales industries to invest in the mainland, there certainly are enterprises that have successfully broken into domestic sales on the mainland.

Data from Strait Fund analysis of Taiwan firm mainland investment indicates that Chinese Communist authorities have presently established a number of criteria regarding domestic sales industries. Generally speaking, in the industries where the mainland can manufacture and produce, consumer product industries such as motorcycles, the domestic sales must not exceed 30 percent of total production. For other commodities that there is no way for the Chinese Communists to manufacture, although on the surface they still emphasize that they want firms to maintain the value of export products and that they should not be less than imported raw materials, in order to accelerate the pace of economic reform and improve the people's livelihood industries, the Chinese Communists secretly do not rule out domestic sales industries' coming to the mainland to invest.

The Strait Fund indicates that Hsiao Hung-mei drink's invasion of the Northeast is a very clear example.

To ensure mainland enterprises' business interests, however, the Chinese Communists are basically "selective" in letting those interested in domestic sales industries come to the mainland to invest.

Ma Ying-chiu estimates that this year the Chinese Communists will do their utmost to develop the Eighth Five-Year Plan and lower the "state-run" enterprises' tax burden to the same 33 percent as the privately-run enterprises as a measure to stimulate the "state-run" enterprises to improve operations. From this it can be seen that the Chinese Communists intend to support the development of "state-run" enterprises.

Based on these measures, Ma Ying-chiu estimates that the Chinese Communists will not again greatly relax domestic sales measures.

But the Chinese Communist Eighth Five-Year Plan is focused on economic reform, and in the two most important plans in economic reform—the Torch Plan (mainly developing such high technology industries as the space industry) and the Spark Plan (mainly such people's livelihood industries as the home electricity industry)—the Chinese Communists hope to focus their efforts on raising the standards of mainland industry. Accomplishing these two plans also requires a great deal of foreign investment.

Recently the Chinese Communists have constantly proclaimed abroad that they hope to bring foreign capital to the mainland to invest in these industries. The Strait Fund says that of these two Chinese Communist plans, the Spark Plan is entirely to accelerate the development of mainland people's livelihood

industries to improve the quality of life for mainland people, and at this stage the Chinese Communists have not clearly indicated curbs on these industries' domestic sales. Thus, it appears that if Taiwan firms go to invest in these industries, the Chinese Communists will not refuse.



**Article Discusses Trade Developments, Industry**

92CE02914 Hong Kong CHING CHI TAO PAO  
[ECONOMIC REPORTER] in Chinese  
No 3, 11 Jan 92 pp 22-25

[Article by Ge Xin (2047 6580): "Developments in Trade and Industry"]

[Text] Hong Kong's economy entered a period of slow growth in 1990 as a result of high inflation and the economic recession in the world. The world economy rebounded in 1991, but the unexpectedly weak recovery in the U.S. and worsening trade frictions between China and the U.S. have put new pressures on the Hong Kong economy. Despite this string of endless problems, the Hong Kong people, well known around the world for their adaptability and versatility, have been struggling for living space and turned in a decent economic performance in 1991. Projections are that the local economy will do well in 1992.

**Trade: The Diversification Trend in Exports and Entrepot Trade**

Exports Hong Kong exports dropped 0.5 percent in the first 10 months of 1990 compared to the same period in 1989 but rose 19.3 percent to HK\$618,344 billion in the first 10 months of 1991 from the level a year ago. This points to a significant improvement on the export front in 1991. Specifically, exports declined in each of the first three quarters of 1990 compared to 1989. In contrast, during the first three quarters of 1991, exports grew 4.4 percent, 4.4 percent, and 3.3 percent, respectively, over the corresponding quarters in 1990. In October 1991 exports were valued at \$21,296 billion, down 4.0 percent from the same period a year ago.

In the first nine months of 1991, exports of office equipment and automatic data processing equipment rose 17 percent, making them the fastest-growing export during that period. They were followed by electrical machinery, equipment, appliances, and parts, 14 percent; clothing and accessories, 5 percent, and textile raw materials and semi-finished products, 4 percent. On the other hand, exports of miscellaneous manufactured products fell 8 percent. Also down were the exports of photographic equipment, optical materials, and clocks and watches, by 6 percent. That Hong Kong exports managed to climb out of the doldrums of 1990 and increase on this scale is certainly a gratifying development, if not a stunning achievement, given the fact that most of Hong Kong's manufacturing industry has relocated elsewhere.

In the first three quarters of 1991, Hong Kong exports to China and Singapore rose, respectively, 14 percent and 21 percent in value, compared to the same period last year, while those to Western nations like Germany, the Netherlands, Britain, and France increased 20 percent, 12 percent, 10 percent, and 10 percent, respectively. On the other hand, Hong Kong exports to the U.S. and Canada fell 9 percent and 10 percent, respectively.

Exports to the U.S. declined every month from January through September compared to the same period a year ago, but rebounded 6 percent for the first time in October. With the economic recovery in the United States sputtering along and trade conflicts escalating between the United States and China, which will certainly have a depressing effect on local exports to United States, most Hong Kong manufacturers and businessmen have turned their attention to the European and Southeast Asian markets, a trend reflected in the figures cited above. In other words, Hong Kong has been diversifying its export markets instead of relying primarily on the United States as in the past. If the manufacturing firms of Hong Kong, including their branches on Mainland China, can upgrade and transform themselves industrially and technologically over time, it is foreseeable that Hong Kong products will be widely distributed throughout all European and Southeast Asian markets in a few years' time, ending Hong Kong's over-dependence on one or two places and its vulnerability to the situation there. When that comes to pass, Hong Kong will become even more economically stable. The trend is already under way.

**Entrepot Trade**

Hong Kong's entrepot trade for the first 10 months of 1991 amounted to HK\$430,044 billion, up 28.6 percent over the same period in 1990. Coming in addition to the 16.7 percent increase recorded in the first 10 months of 1990 over the comparable period a year ago, the growth in entrepot trade this year is considered a "strong performance" by sources in the economic community. We can thus see that the situation in entrepot trade is very satisfactory. Valued at \$108.7 billion, merchandise bound for China accounts for the bulk of entrepot trade in the first 10 months of 1991, up 39 percent over the same period in 1990, while merchandise originating in China also exceeds that from any other nation, up 37 percent in the first eight months of 1991 compared to the same period a year ago. These numbers leave no doubt as to the importance of Hong Kong as a bridge linking China with the outside world in the area of trade. Meanwhile, a large number of Hong Kong manufacturing plants have been relocated on Mainland China, attracting a flow of semi-finished goods and raw materials into China and turning out a reverse flow of manufactured products. This is another major reason for the strong growth in entrepot trade. The United States is the second largest market for Hong Kong's entrepot exports, valued at \$76.5 billion, the seventh fastest-growing market. The fastest-growing market is still Germany, up 58 percent, while entrepot exports to France rose 45 percent. Europe's potential as an entrepot market for Hong Kong is thus tremendous.

Imports Hong Kong imports amounted to HK\$631,293 billion in the first 10 months of 1991, up 21.6 percent over the same period a year ago. It retained HK\$92,583 billion in imports for local use in the first half of the year, up 23.7 percent over the same period last year. Specifically, \$30.35 billion worth of imported raw materials and semi-finished goods were retained for local use in

the first quarter, an increase of 27 percent over the corresponding period a year ago, while HK\$11.141 billion worth of capital goods were retained for local use, up 16.8 percent. During the second quarter, imported raw materials and semi-finished goods retained for local use amounted to \$38.36 billion, up 23.4 percent over the same period in the preceding year, while imported capital goods retained for local use amounted to HK\$12.733 billion up 23.38 percent.

It may be recalled that all the numbers were down in the first six months of 1990, causing a good deal of anxiety in the economic circles. In contrast, the retained-use figures for 1991 are fairly satisfactory, suggesting that the economic situation has gotten better in 1991 compared to 1990.

#### Labor Shifts to Other Industries

The unemployment rate in 1991, while notably higher than that in 1990, still remained relatively low. It fluctuated between 1.1 percent and 1.5 percent in 1990, hitting a low of 1.1 in the fourth quarter. In 1991, the unemployment rate hovered between 1.9 percent and 2.3 percent. When it reached a high of 2.3 percent in July, there was a public outcry and questions were raised as to whether or not the government should import labor from outside. The authorities claimed that at 2.3 percent or so, the unemployment rate should be considered low. After seasonal adjustment, the temporary unemployment rate for September through November was 1.9 percent, while the rate of underemployment remained steady at 1.6 percent. These numbers suggest that the Hong Kong labor market was still fairly tight. Accordingly the government decided to import outside workers to ease the local labor shortage, ignoring strong opposition from labor circles. In December the government announced plans to import a fourth batch of workers from outside.

In 1991, employment in the manufacturing sector fell again, continuing the downward trend of 1990. In the first quarter, 696,000 people were employed in the manufacturing sector, dropping to 681,000 in the second. Meanwhile, employment in sales, import-export, the hotel industry, transportation, finance, and insurance all increased, rising from 126,000 in all in the first quarter to 129,000 in the second, a gain of 30,000. A similar trend can be detected in changes in the number of manufacturing factories, which has been declining steadily every quarter in 1990. In the second quarter of 1991, there were 47,150 manufacturing factories in Hong Kong, down from 49,124 in the first quarter. In contrast, the number of hotels increased from 146,923 in the first quarter to 150,501 in the second. These data indicate a continual shift of industrial labor toward the service sector, which is expected to last well into 1992.

Let us take a look at changes in the number of job vacancies. In the manufacturing sector, there were 25,249 vacancies in the second quarter, down from 31,762 in the first quarter. In the construction industry, the number of vacancies declined from 1,148 to 939,

hotel vacancies from 33,242 to 24,911, transportation vacancies from 3,753 to 3,561, and finance and insurance vacancies from 9,149 to 8,756. These figures show that even in industries where employment is rising, the number of vacancies is falling. If this trend continues, it may be a sign that some industries will soon reach their upper limit.

This transformation of the Hong Kong economy is something that the government, scholars, and ordinary citizens must face up to. What people from all walks of life are talking about is this. First, should the government import foreign labor? Or, in what way should the government import foreign labor? Despite vehement opposition from the unions, the government has now decided on a policy of limited labor imports. Second, how should government or business help workers in the local manufacturing sector gradually make the shift toward the service industries? Labor organizations have done their level best to achieve this. The government as well as some subsidized organizations are preparing to launch similar efforts. Third, what direction should factories that remain in Hong Kong take? In what ways should the government assist the development of local manufacturing industry? Prompted by a host of individuals, the government has taken some steps such as creating an industrial technology development council and setting up a development fund geared toward local industry.

#### Production Gains

The massive relocation of Hong Kong industry to Mainland China, particularly the Zhu Jiang Delta area, has given the local manufacturing industry a haven from the intense inflationary pressures here at home, on the one hand, and stimulated economic development in China, on the other. In the Zhu Jiang Delta area alone, Sino-foreign joint ventures and factories that do processing for Hong Kong firms employ about 3 million workers, far more than the 680,000 employed in Hong Kong's manufacturing industry. This gives us an idea of the magnitude of plant relocation that has been occurring. Some plants have moved to Malaysia, Thailand, the Philippines, and other Southeast Asian nations, but their operations have not been as profitable as those on the mainland. A handful of companies have even set up shop in developed nations in Western Europe so as to obtain preferential treatment or as a means of gaining access to the markets in those nations, but relocating to the West is not a dominant trend in Hong Kong industry overall.

Factories that remain in Hong Kong are essentially those that 1) must stay put in Hong Kong for reasons having to do with certificates of origin or quotas, including garment factories and knitting factories; 2) apply sophisticated science and technology, examples being the production of liquid crystal indicators and computer mother-boards; or 3) are engaged in the production of higher-quality products in small batches with short delivery dates. The head offices of some firms also have stayed put to serve as the main command or to carry out sales and research and development. Certainly, there are

some small plants which hire relatively few workers, have limited capital, use simple equipment, are marginally profitable, and produce mainly for the local market. Since building a plant in China is not necessarily a profitable proposition for these businesses, they have decided to remain in Hong Kong. Among them are factories making cardboard boxes.

Production-wise, plants that have remained in Hong Kong have done notably better in 1991 than 1990. The colony's industrial production index registered zero growth in the third quarter of 1989 compared to the same period a year ago and continued to slip quarter after quarter until the fourth quarter of 1990, inching up 1 percent and 0.8 percent in the first and second quarters of 1991, respectively. Now let us look at the production indexes of the leading industries. The production index of the garment industry fell in each of the first three quarters of 1990 compared to the year before, but gratifyingly rebounded 2.5 percent and 3.2 percent in the fourth quarter of 1990 and the first quarter of 1991, respectively, only to falter again in the second quarter, dropping a slight 1.0 percent. After dropping steadily throughout 1990 and remaining sluggish in the first quarter of 1991, textile production increased 1.7 percent in the second quarter over the corresponding period a year ago. Metallic goods production slipped in each of the first three quarters of 1990 compared to the corresponding periods in 1989 but rose in the fourth quarter and continued to increase in the first two quarters of 1991. In plastics manufacturing, the industrial production index has been on a downward trend throughout, a trend that the industry has not been able to reverse in 1991. Except for the plastics industry, in other words, the production indexes for all local leading industries have gone up to various extents.

In most industries, factory orders went up in 1991 compared to 1990. Orders increased in both August and September in all leading industries compared to the corresponding period a year ago. (See table below.)

	September 1990	September 1991
Apparel	4.66	4.78
Textiles	2.11	2.33
Plastics	2.44	2.70
Metallic Goods	4.08	4.20
Electrical Machinery	5.26	5.33
Total	4.24	4.36

(Based on orders that the colony's 200 largest factories had in hand. Unit: monthly output equivalent)

The growth in industrial output is further corroborated by statistics on the value of imported industrial equipment retained for local use. Between January and July 1990, the value of imported industrial equipment retained for local use dropped month after month compared to the corresponding periods a year ago, suggesting that companies had no plans to expand reproduction or

upgrade their plants in Hong Kong. The value of imported industrial equipment retained for local use began a slow climb in August and September the same year, up 1.9 and 1.8 percent, respectively, compared to the same periods in the preceding year, and shot up 13.5 percent in December. The trend is still being monitored carefully by people in the economic community after it soared a sharp 44.3 percent in the first quarter of 1991 and increased 21.04 percent in the second quarter (excluding building machinery).

If we put these figures together, we can see that the technological transformation of Hong Kong industry is accelerating. They are a very significant set of numbers which indicates that after the first phase of relocation, which has given Hong Kong industry a breather, the colony has now entered the second phase: speeding up the transformation of its industry to further improve the quality of its products. This is where the future of Hong Kong industry lies, as noted by many industrialists and scholars. It is also indicative of local businessmen's growing confidence in Hong Kong's economic future.

While one must not be too optimistic about the world economic outlook for 1992, strong economic growth is forecast for most Southeast Asian countries this year. After the downturn of the last few years, Hong Kong's economy has shown signs of life in 1991. With the launching of the new airport project, coupled with the factors mentioned above, the Hong Kong economy should do reasonably well.

### Radical Democratic Group's Landslide Victory Viewed

92CM01274 Hong Kong CHAO-LIU [TIDE] in Chinese No 57. 15 Nov 91 pp 65-74

[Article by Ting Wang (0002 2598): "Hong Kong's First Direct Legislative Elections and Democratization Prospects"]

[Excerpts] [Passage omitted]

### Part III. Key Factors in Democratic Group's Victory

[Passage omitted] After much consideration, I have summed up the democratic group's victory as being due to the following eight factors: 1. Voters' "quality-based choice"; 2. Apprehension about 1997 and "the 4 June (Beijing massacre) syndrome"; 3. Shock over "Su Tung po" (which looks and sounds much like the name of the famous Northern Sung poet, but refers to the wave [po] of reform in the Soviet Union [Su] and Eastern [Tung] Europe); 4. A negative public attitude about Beijing's "guidance control" and "war by proxy"; 5. The democratic group's own good foundation, especially its accumulated experience in public service, mass movement, and participation in government and political affairs; 6. The Left federation's tactical errors; 7. The skill of spin doctors; 8. The intellectuals' sense of mission about social democratization. As to the functional groupings of the sharp voting competition in the direct and indirect elections,



most voting activity favored "quality-based choice." *"Quality-based choice" has three connotations, the first of which is choice based on candidates' political quality.* All radical democratic group candidates with clearcut stands and good images won by big majorities in the direct elections, and even most of those who did not win lost with large minorities. For instance, Liang Yao-chung (2733 5069 1813), a New Territories South candidate who was neglected by the media and public opinion, won a high 42% of the vote, coming in 17th on the vote percentage list. While he ran as a member of the Worker Service Society, he was actually a chief commander of the 5 April Movement in the Street-Corner Democracy Group. His winning enough votes to come out ahead of Chang Wen-kuang (1728 2429 0342) on the functional grouping list, enhanced the symbolic significance of voters' "quality-based choice." *All candidates with images tainted by "relations with Beijing" (i.e., relations with the Chinese Communists), whether from the traditional Left group, the new Left group, or the middle-of-the-road Left-leaning group, lost in the direct elections.* Relations with Beijing became a negative association in the elections, being a precise reflection of voters' "quality-based choice," and showing that voters did not distinguish "relations with the Chinese Communists" from acknowledgement and approval of the Communist Party's "dictatorship of the proletariat" regime. *The second connotation of "quality-based choice" is choice based on candidates' class.* Middle-class candidates who were mostly professionals and strongly democratic either won, or lost with large minorities, in the direct elections, while most of those from the capitalist class and small businessmen won very small percentages of the vote, which shows that voters rejected the wealthy, "reputable," and short-on-public-service capitalist class. A good example of this is that the candidates from the New Hong Kong Alliance, which was clearly supported by Beijing, lost with very few votes. Voters also lacked confidence in the political responsibility and capability of small businessmen. *The third connotation of "quality-based choice" is in with the "new" and out with the "old."* Voters voted mostly for new political groups. As the old neighborhood associations and political mass organizations, such as the Innovation Society, the Citizen's Association, the Encouragement for Progressives Society, and the New Territories Rural Affairs Association, had aged, their members could not win in the direct elections. This shows that voters chose candidates from political mass organizations that had growth vigor and served the people. *I see the voters' "quality-based choice" as "a cry for balance in an unequal situation."* The geopolitical relations between Hong Kong and Mainland China, the approaching transfer of political power in 1997, Beijing's increasing "authority to participate in" Hong Kong's key government affairs and capital construction, and the British Hong Kong government's "descendant mentality" in preparing to withdraw, all show the inequality between Beijing's strength and Hong Kong's weakness. *The increasing pressure of this unequal status made many voters place their hopes on spokesmen for Hong Kong's interests, and on gradually establishing some balancing*

*forces through democratic means. It is not hard to see from the election results that their preferred spokesmen were relatively independent "firebrands" who were neither Beijing mouthpieces or Hong Kong government "rubber stamps."* They wanted their spokesmen to strive for democracy and the welfare of Hongkongers, and to be able after 1997 to be supportive, balancing forces in preserving Hong Kong's former institutions and freedoms. [Passage omitted] 2. *The radical democratic group's victory in the direct elections was inseparable from apprehension about 1997 and the "Beijing massacre syndrome."* The abovementioned "cry for balance in an unequal situation" was a product of apprehension about 1997. The radical democratic group was able on one hand to fully relate to Hongkongers' misgivings about their prospects after 1997, while using the masses' humanitarian feelings about "remembering the Beijing massacre" to congeal social forces on the other. Most of the Hong Kong Alliance and Hui-tien candidates emphasized striving for a high degree of autonomy for Hongkongers and preserving Hong Kong's stability and prosperity after 1997, and reaffirmed their firm support for the 1989 student movement. Independent candidate Liu Hui-ch'ing (0491 1979 0615) emphasized the need to preserve freedom of the press after 1997. Either their campaign speeches or their past launching of activities to support the democracy movement and condemn the policy of its suppression on 4 June, aroused empathy among many voters, which "translated" into votes. *While the 1989 democracy movement and the Beijing massacre were originally unrelated to Hong Kong's direct legislative elections, it was impossible to remove the cloud of the Beijing massacre from the majority of voters' minds, which made them place their hopes on the rise of the democratic group in Hong Kong that had identified with and endorsed the 1989 democracy movement, in order to prevent a replay in Hong Kong of incidents similar to the Beijing massacre.* The "Beijing massacre syndrome" became the radical democratic group's greatest political capital in the direct elections, while their view that Hong Kong's public policy did not take a clearcut stand with the democracy movement and against the "Beijing massacre," could be called extraordinary in light of Hong Kong's political climate. [Passage omitted] 3. *The "Beijing massacre syndrome" worked together with the shock over "the wave of reform in the Soviet Union and Eastern Europe" to produce a "climate" that favored the democratic group.* The enormous changes that have occurred in Eastern Europe since the fall and winter of 1990, and the quick "restoration of reactionary rule" in the Soviet Union since the failed Moscow coup in August, have proclaimed the end of the communist dynasty in the Soviet Union and Eastern Europe. This intense wave of reform in the Soviet Union and Eastern Europe has also shaken up Hong Kong society, in that more people have become fully aware of dictatorial governments and yearnings for democracy. The radical democratic group's landslide victory was more or less related to this "driving force of revolution." 4. *The negative public mentality about Beijing's "guidance control" and "war by proxy" were factors in the democratic*

group's victory that were overlooked by public opinion. Beijing's system of planned economy uses the two measures of "directive control" and "guidance control." Beijing's intervention in Hong Kong's direct elections also used "directive control" and "guidance control," with directive control referring to giving behind-the-scenes electoral support to candidates from "Chinese-funded" organs and Left group mass organizations, and guidance control referring to broadcasting media commentary before the direct elections, demanding that voters pay attention when voting to whether candidates can maintain "good Chinese-Hong Kong relations" (i.e., relations with Beijing). While many commentators said that this smacked of intimidation of Hongkongers by Beijing, I think that Beijing's intent was to provide some "guidance" message for the electoral process. Of course, this "guidance control" by Beijing was closely related to its past repeated assertion that the Branch Federation is an organization aimed at "overthrowing the Central Government and subverting socialism," and seemed to be a suggestion not to vote for Hong Kong Alliance candidates (most of whom were key members or members of the Branch Federation). Along with this "guidance control," there also occurred what I call "war by proxy," i.e., the leafletting by the Free Democratic Alliance led by Tan Huizhu [6223 1920 3796] that attacked Li Chu-ming [2621 2691 6900] and the Hong Kong Alliance, demanding that they clearly renounce their former stand toward Beijing. This leafletting offensive by the Free Democratic Alliance seemed like a "war by proxy" in regards to both its flattery of the Beijing authorities group and its supposed winning of Beijing's "suggested support." This "guidance control" and "war by proxy" had a negative impact, in that many people felt that the Hong Kong Alliance had been subjected to political pressure, which produced a negative mentality toward Beijing and Left groups, increasing sympathy and leading to more votes for the Hong Kong Alliance. [Passage omitted] 5. As it would have been hard for the democratic group to win with only outside favorable thrust but no "inner quality," its own good foundation was an indispensable part of its political capital. While the democratic group's accumulated experience [passage omitted] in public service, mass movement, and participation in government and political affairs was its claim to fame and voter support, these qualifications would not have been enough in themselves. It was able to arouse voter sympathy because it dared to speak out about public affairs [passage omitted] and the people's hardships, and because it played a fairly independent role in the relations between Beijing and the Hong Kong government. While the members of the Hong Kong Alliance are mostly intellectuals and professionals, they represent a greater variety of professions and walks of life than other groups, [passage omitted]. 6. The Left alliance's tactical errors were its own "voter pitfall," which enabled the democratic group to "pick up votes cheaply." This was a particularly interesting part of the election battle. While the traditional Left group was well organized for the direct elections, so that each of the three candidates that it supported came out third in their

election districts, the Left alliance's tactical errors led to its fate in the direct elections being complete annihilation. In addition to the abovementioned "guidance control" and "war by proxy," the Left group also committed tactical errors in the candidates it chose to support in the Hong Kong Island West District and from the Worker's Alliance. The two candidates that the Left gave all-out support to in the Hong Kong Island West District were from the New Hong Kong Alliance, and the sending of people from Beijing organs to polling sites to "campaign" for them, sent a strongly suggestive message. But these two candidates were from wealthy families, and had no basic ties to the masses or public service experience. One of them, a woman, was openly criticized as being too rich and having a reputation for playing up her "political niceties." It is believed that Beijing must have been well aware of their lack of strength, but had to support them anyway because the key figures in the New Hong Kong Alliance were "upper-class united front partners" (i.e., bourgeois united front partners), so overassessed their "campaign" appeal. If the Left group had been willing to part with these two candidates and focus its campaign resources on support for the middle-of-the-road but Left-leaning candidate Ch'en Yu-Hsiang [7115 5148 4328], he might have beat the Hong Kong Alliance candidate Huang Chen-hsia [7806 7201 6667], instead of losing to him by over 1,600 votes. If the Left group had nominated T'an Yao-tsung [6223 5069 1350] as a labor candidate instead of supporting Ch'en Wan-hsien [7115 1238 8300] in the Kowloon Central District, he would have won automatically because he would have been unopposed. Putting T'an instead of Ch'en into the field in the Kowloon Central District, would have given T'an a good possibility of beating out one of the Hong Kong Alliance candidates, and becoming the Left group's second winner. Even though T'an Yao-tsung is the deputy director of the traditional Left group's Worker's Alliance, as he holds a concurrent post as an indirectly-elected legislator, is a very responsible politician, and insists on giving consideration to the interests of Hong Kong workers in opposing imported labor, he should have been able to win more labor votes than Ch'en. I think that even more importantly, as he has detached himself from the hardline image of the traditional Left group, at least having political leanings with a "bottom line" of Hong Kong's public interests, many Hongkongers could have been expected to accept him as an "enlightened Leftwinger," just as they do the "enlightened Leftwing" banker Li Kuo-pao [2621 0948 1405]. T'an had more possibility of winning in the direct election than Ch'en as far as fame, public image, public service achievements, and even appearance were concerned. The bottom line is that the Left alliance also made tactical errors in underrating the shock over "the wave of reform in the Soviet Union and Eastern Europe" and Hongkongers' "anticommunism" (anticommunism and antisocialist-humanitarianism). While pre-election general media public opinion polls all showed voter support favoring the democratic group, the Left alliance seemed to firmly believe that its old formulas still had appeal, so did not take contingency

measures to adjust them. [Passage omitted] 7. The spin-doctoring of candidates also affected the election outcome. The general debates among candidates on two TV stations provided the most complete voter choice information. In the general TV debates, while the Hong Kong Alliance candidates highlighted the radical democratic group's image and support for the democracy movement, not sidestepping its negative attitude toward the "4 June crackdown," the Left alliance candidates did all they could to evade the issue, being unwilling to take a clearcut stand that would offend Beijing. The election results proved that "the masses' eyes were discerning enough to see this for what it really was." Another focal point in the general debates was the Left group's origins, i.e., its stand and background of "relations with the Chinese communists." The Left alliance's spin "doctoring" in the general debates had a very negative impact for the following two reasons: 1. Li Chu-ming's overbearing attitude as a great and experienced lawyer forced the Left alliance candidates to "confess to" their Left group origins and acknowledge their "relations with the Chinese communists," which made things very awkward and untenable for originally well-qualified Left alliance candidates; 2. The Left alliance candidates did all they could to downplay or whitewash their relations with the Left group, not daring to frankly admit to their "relations with the

Chinese communists," which gave the spectators, i.e., the voters, the impression that the Left group and those with "relations with the Chinese communists" were in the wrong, as opposed to the Hong Kong Alliance candidates who naturally and gracefully acknowledged that they were part of the democratic group that opposed the "4 June crackdown." As the voters were well aware of the backgrounds of candidates with strong "relations with the Chinese communists," they doubted the "honesty" of their TV explanations, which affected the number of votes that they won. The majority of voters actually make independent value judgements, and do not like those who try to "doctor" their political stands. [Passage omitted] 8. In comparison to those from other political organizations, the Hong Kong Alliance and Huitien candidates ran as independents in the main radical democratic group, being mostly intellectuals, such as college and high school teachers, lawyers, doctors, reporters, and certain less sordid businessmen belonging to no functional groupings. This group of fairly independent intellectual candidates won more support from intellectual voters, because they felt a strong sense of mission about social democratization, and were closely linked to the public tide of striving for democracy. This is another undeniable factor in the democratic group's victory. [passage omitted]



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